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MODERN BANKING METHODS

AND

PRACTICAL BANK BOOKKEEPING

By ALBERT R. BARRETT, C.P.A.

FORMERLY BANK EXPERT FOR UNITED STATES TREASURY DEPARTMENT AND BANK EXAMINER

ILLUSTRATED WITH OVER TWO HUNDRED FORMS OF BANK BOOKS, RECORDS AND BLANKS

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PREFACE

This book is the result of many years' experience as a banker, a bank examiner, and a public accountant, and is presented to the banking fraternity in the hope that it may be of some service.

Many courtesies have been extended to me by the office of the Comptroller of the Currency and by various banks and clearing-houses, among which I will mention: The Fourth Street National Bank, Philadelphia; Bankers National Bank, Chicago; Chase National Bank and Mercantile National Bank, New York; Northwestern National Bank, Minneapolis; First National Bank, Birmingham, Ala.; First National Bank and the Traders' National Bank, Scranton, Pa., and the clearing-houses of New York, Boston, Philadelphia, Chicago, Minneapolis and Scranton, Pa. I am grateful for the aid thus received.

A. R. BARRETT.

MODERN BANKING METHODS

CHAPTER I.

ORGANIZING A BANK.

The first thing to be decided in starting a bank is whether the bank is needed. This is no doubt a trite observation ; and yet many mistakes are made by starting banks where they are not needed. Usually the mistake is not in selecting a town where the business is too small to support a bank, but in establishing another bank where such facilities are already adequate. Over-competition has practically destroyed banking profits in many localities. Therefore, before starting a bank, be *sure* that it is needed.

Having become satisfied, after diligent investigation, that the business of a particular locality requires a new bank, the next question of importance for the mover of the enterprise is to select the men whom it is desirable to interest in the organization. Naturally, the men who have capital will be the first to suggest themselves; but it is well not to lose sight of the fact that character is also a most desirable constituent of those who are starting a bank. Some men bear such high reputations that they are known to be incapable of associating themselves with anything unworthy of public support. Such men will add strength to a bank, though their moneyed capital may not be large.

When enough good men can be interested—say ten or twelve—a preliminary meeting should be called and a spokesman selected to explain the reasons for launching the bank, its prospects for success and who are expected to take stock.

The importance of starting right suggests the propriety of having a legal adviser, so that all laws relating to incorporation may be fulfilled.

One of the first questions to arise is, shall the bank be organized under the State or the National banking laws; in other words, shall it be a State bank or a National bank? A careful examination of both the State and National banking laws will show that while there is much similarity in the powers granted by both, it is evident that

the restrictions as to the general management of banks are, as a rule, more rigid in the National Banking Law than in those of the laws of most of the States.

It is also shown that in a period of thirty-five years since the passage of the original National Banking Act only about 360 National banks failed, an average of about ten a year, and that dividends have been paid in winding up the affairs of these banks to the amount of about seventy-five per cent.

The relative profits to be obtained under the State and National systems depend upon circumstances. National banks are under some prohibitions which tend to restrict their earning capacity in certain localities. Profits on circulating notes and Government deposits are now so small as to be hardly worth considering. On the other hand, a National bank enjoys a degree of prestige, perhaps, from the character of its charter. In reserve cities the National form of organization will be generally found preferable, since only a National bank can act as a reserve agent for other National banks. State banks, in some States, are permitted to establish branches—a privilege not now accorded to National banks.

The Amount of the Capital Stock.

The next point to be considered is the amount of capital stock. The National Banking Law provides that in towns with a population not exceeding 3,000 a bank must have a capital of not less than $25,000; where the population does not exceed 6,000, at least $50,000 will be required; where the population is over 6,000 and under 50,000 the sum of $100,000 will be required, and in cities of 50,000 and over the sum of $200,000 is the minimum. Thus the amount of capital stock depends somewhat upon the population, also upon the character of the business of the community, some classes of business requiring much more accommodation than others, and as the National Banking Law limits the loaning power of a National bank to any one individual or corporation, on his or its own paper, to ten per cent. of the capital stock, the importance of this point is easily seen.

It is of course more difficult to pay satisfactory dividends upon a large capital, unless a bank has some unusual facilities, consequently, except in the large cities where the demand for money is extremely heavy, it is considered wise banking to have a moderate capital and build up large deposits. I have several banks in mind, that have come to my personal attention, with capital ranging from $100,000 to $300,000, and deposits from $2,000,000 to $20,000,000. These banks pay large dividends, and their stock is almost unpurchasable.

The question of capital stock being decided, the next in importance is the name; and, simple as this may appear, it sometimes has much to do with the success of the bank. In organizing a National bank, it is well to bear in mind that the word National must form a part of the title.

The foregoing preliminaries having been settled, the next important step will be the securing of subscribers for the stock. This is generally placed in the hands of a committee.

Great care should be exercised in selecting those who are to be the stockholders, for it is here that much of the controlling power lies, and, while under any possible laws a bank may be injured or wrecked by its officers, yet its directors, primarily, and officers, secondarily, are the representatives of the stockholders.

Section 5133 of the National Banking Law provides that all stockholders of a bank must be "natural persons," that is, individuals who can legally hold and control property in their individual right —not corporations, firms, or associations.

As some who desire to be stockholders may be married women, and the laws of the several States differ as to their rights in regard to the holding of property and agreements made by them, also as to the forms of acknowledgment of papers executed by them, any organization papers bearing the signatures of women must be accompanied by the statement that, under the laws of the State, they had the power to be parties to the organization.

While the matters mentioned above are being attended to a letter should be sent to the Comptroller of the Currency at Washington, D. C., stating in full the wishes of the meeting, giving the desired name of the bank, the location and the proposed capital, and asking for instructions and for the proper blank forms. This should be signed by at least five of the contemplated stockholders with a statement of their business, and their financial standing, and endorsed by a member of the United States House of Representatives or a United States Senator for that State, or some person of some prominence vouching for the standing of the applicants. If this application be approved by the Comptroller a pamphlet will be received giving full instructions how to proceed, also blank forms in duplicate for the articles of association and for the organization certificate.

The name applied for will be reserved by the Comptroller for sixty days for the sole use of the bank first applying for it, during which time it is presumed that the bank will have completed its organization.

The following is the general form in use for the articles of association and organization certificate:

FORM OF ARTICLES OF ASSOCIATION.

For the purpose of organizing an association to carry on the business of banking, under the laws of the United States, the undersigned, subscribers for the stock of the association hereinafter named, do enter into the following articles of association :

First. The name and title of this association shall be "The ————————."

Second. The place where its banking-house or office shall be located and its operations of discount and deposit carried on, and its general business conducted shall be ———.

Third. The board of directors shall consist of ——— shareholders. The first meeting of the shareholders for the election of directors shall be held at ———, on the ———, or at such other place and time as a majority of the undersigned shareholders may direct.

Fourth. The regular annual meetings of the shareholders for the election of directors shall be held at the banking-house of this association on the second Tuesday of January of each year; but if no election shall be held on that day it may be held on any other day, according to the provisions of section 5149 of the Revised Statutes of the United States; and all elections shall be held according to such regulations as may be prescribed by the board of directors, not inconsistent with the aforesaid provisions of the said section 5149 of the Revised Statutes and of these articles.

Fifth. The capital stock of this association shall be ——— thousand dollars, to be divided into shares of one hundred dollars each; but the capital may be increased, according to the provisions of section 5142 of the Revised Statutes, to a sum approved of by the Comptroller of the Currency; and in case of the increase of the capital of the association, each shareholder shall have the privilege of subscribing for such number of shares of the proposed increase of the capital stock as he may be entitled to according to the number of shares owned by him before the stock is increased.

Sixth. The board of directors, a majority of whom shall be a quorum to do business, shall elect one of their number to be President of this association, who shall hold his office (unless he shall be disqualified, or be sooner removed by a two-thirds vote of all the members of the board) for the term for which he was elected a director; and they shall have power to elect a Vice-President, who shall also be a member of the board of directors, and who shall be authorized, in the absence or inability of the President from any cause, to perform all acts and duties pertaining to the office of President except such as the President only is authorized by law to perform; and to elect or appoint a Cashier, and such other officers and clerks as may be required to transact the business of the association; to fix the salaries to be paid to them, and to continue them in office, or to dismiss them, as, in the opinion of a majority of the board, the interests of the association may demand.

They shall also have power to define the duties of the officers and clerks of the association, to require bonds from them, and to fix the penalty thereof; to regulate the manner in which elections of directors shall be held, and to appoint judges of the elections; and, generally, to do and perform all the acts that it may be legal for a board of directors to do under the Revised Statutes aforesaid; and they shall also have the power to make all by-laws that it may be proper and convenient for them to make, not inconsistent with law, for the

general regulation of the business of the association and the management and administration of its affairs.

Seventh. This association shall continue for the period of twenty years from the date of the execution of its organization certificate, unless sooner placed in voluntary liquidation by the act of its shareholders owning at least two-thirds of its stock, or otherwise dissolved by authority of law.

Eighth. These articles of association may be changed or amended at any time, by shareholders owning a majority of the stock of the association, in any manner not inconsistent with law; and the board of directors, or any three shareholders, may call a meeting of the shareholders for this or any other purpose, not inconsistent with law, by publishing notice thereof for thirty days in a newspaper published in the town, city or county where the bank is located, or by notifying the shareholders in writing thirty days before the time fixed for the meeting.

In witness whereof, we have hereunto set our hands, this ——— day of ———, nineteen hundred and ———.

———————— ————————.
———————— ————————.
———————— ————————.

I certify that the articles of association of the ——— ——— are executed in duplicate, and that one of the instruments so executed is the foregoing; and that the other, in all respects like the foregoing, is on file with said bank.

————————,
——— —, 190—. *Cashier or President.*

At least five persons are required to sign these articles.

In regard to article third, the first board of directors may be appointed by the stockholders instead of elected. It may also be thought advisable, instead of specifying the number that shall constitute the board, to state the minimum and maximum number that may serve, in which case this article will read as follows:

"The board of directors shall consist of not less than —— nor more than —— shareholders, and the following persons (here insert their names) are hereby appointed directors of this association, to hold their offices as such until the regular annual election takes place, pursuant to the fourth article of these articles of association, and until their successors are chosen and qualified. The number of directors elected at each annual meeting shall constitute the board for the year, all vacancies to be filled in accordance with the provisions of section 5148."

FORM OF ORGANIZATION CERTIFICATE.

We, the undersigned, whose names are specified in article fourth of this certificate, having associated ourselves for the purpose of organizing an association for carrying on the business of banking, under the laws of the United States, do make and execute the following organization certificate:

First. The name of the association shall be the ——— ——— ———.

Second. The said association shall be located in the ——— of ———, county of ——— and State of ———, where its operations of discount and deposit are to be carried on.

Third. The capital stock of this association shall be ——— dollars ($———), and the same shall be divided into ——— shares of one hundred dollars each.

Fourth. The name and residence of each of the shareholders of this association, with the number of shares held by each, are as follows:

NAME.	*Residence.*	*No. of Shares.*

Fifth. This certificate is made in order that we may avail ourselves of the advantages of the aforesaid laws of the United States.

In witness whereof we have hereunto set our hands this ——— day of ———, 190—.

———————— ————————,
———————— ————————.

State of———, County of ———, ss.:

On this, the ——— day of ———, A.D. 190—, before me, a ——— of ———, personally came ——— ———, to me well known, who severally acknowledged that they executed the foregoing certificate for the purposes therein mentioned.

———————— ————————.

Witness my hand and seal of office the day and year aforesaid.

[Seal of Notary or Court.]

The two documents above mentioned must now be filled out and signed *in duplicate*, according to the instructions sent by the Comptroller of the Currency, one copy to be retained in the bank and the other to be sent to the Comptroller, care being taken that the same men sign both documents.

All these preliminary meetings mentioned should be carried on in a business-like manner, a chairman and secretary being selected, and careful minutes kept, which should be entered in a minute book, and become part of the records of the bank after the organization is perfected.

The name, etc., of each shareholder, but not necessarily his signature, is required in the fourth subdivision.

CHOOSING THE DIRECTORS.

The next important matter to be considered is the election of a board of directors by the shareholders, unless they have been designated in the articles of association.

The National Banking Law requires that every bank shall have at least five directors, and that every director shall be a citizen of the United States, and that three-fourths of them at least must be

residents of the State, Territory or District in which the bank is located during their continuance in office, and must have been so for a year or more immediately preceding their election.

Each director must also during his whole continuance in office be a *bona fide* owner of not less than ten shares of the capital stock of the bank, which shares must not be hypothecated or in any way pledged as security for any loan or debt.

Obligations and Duties of Directors.

There are few more responsible positions than that of a bank director. To be able to carefully direct the affairs of a bank holding in its vault the funds of so many people is no light task, yet how few really seem to recognize it, and are willing to take the oath prescribed, and in reality give little attention to their duties.

No man who is so situated that he cannot give the necessary attention to the duties should accept the position. Upon the directors devolves the responsibility of loaning the money, and they should remember that these funds are not theirs but are held in trust, and they are bound to return them when called for.

The people will measure the standing of a bank very much by the men known to have the direction of its affairs; for that reason only the very best men, and those of the most careful business methods, should be selected, and it is wise to have representative men from various lines of business.

No man is obliged to be a director, but having assumed such a position he is under absolute obligations to perform the duties to the best of his ability.

In all matters relating to the policy and administration of the bank the board of directors should act as a unit, as a harmonious body. In one of the most successful banks of the United States it is the rule with the board of directors that if any proposition or motion brought before the board is seriously opposed by any member, the matter is dropped. This preserves a spirit of unanimity, which is essential.

The directors of a bank should be broad-minded men; the small, petty spirit will only prove a bar to success. Let me give an instance. A National bank was organized in one of our principal cities. At one of the meetings for organization the question of a name came up. Various branches of trade were well represented. One branch, the produce, became so aggressive in their determination to have it named after their particular branch, going so far as to state that the bank was especially for their particular line of business and no other was wanted, that they succeeded in driving off many of their best stock subscribers. Naturally, this bank lived

only a few years. The management was contentious and petty from the start, and the bank died a natural death, went into liquidation.

The duties of directors of National banks are very specifically described in the National Banking Laws, together with the penalties for the neglect of such duties.

These have been compiled by the Comptroller's office and issued in the form of a circular, and their importance is such that I embody them in full in this chapter.

SECTIONS OF THE REVISED STATUTES (NATIONAL BANK ACT) WHICH DEFINE CERTAIN DUTIES OF DIRECTORS OF NATIONAL BANKS AND PRESCRIBE PENALTIES FOR NEGLECT THEREOF.

Number and Election of Directors.—Term of Office.

27. (Sec. 5145.) The affairs of each association shall be managed by not less than five directors, who shall be elected by the shareholders at a meeting to be held at any time before the association is authorized by the Comptroller of the Currency to commence the business of banking; and afterward at meetings to be held on such day in January of each year as is specified therefor in the articles of association. The directors shall hold office for one year, and until their successors are elected and have qualified.

Qualifications of Directors.

28. (Sec. 5146.) Every director must, during his whole term of service, be a citizen of the United States, and at least three-fourths of the directors must have resided in the State, Territory, or District in which the association is located, for at least one year immediately preceding their election, and must be residents therein during their continuance in office. Every director must own, in his own right, at least ten shares of the capital stock of the association of which he is a director. Any director who ceases to be the owner of ten shares of the stock, or who becomes in any other manner disqualified, shall thereby vacate his place.

Oath Required from Directors.

29. (Sec. 5147.) Each director, when appointed or elected, shall take an oath that he will, so far as the duty devolves on him, diligently and honestly administer the affairs of such association, and will not knowingly violate, or willingly permit to be violated, any of the provisions of this Title, and that he is the owner in good faith, and in his own right, of the number of shares of stock required by this Title, subscribed by him, or standing in his name on the books of the association, and that the same is not hypothecated, or in any way pledged, as security for any loan or debt. Such oath, subscribed by the director making it, and certified by the officer before whom it is taken, shall be immediately transmitted to the Comptroller of the Currency, and shall be filed and preserved in his office.

Vacancies, How Filled.

30. (Sec. 5148.) Any vacancy in the board shall be filled by appointment by the remaining directors, and any director so appointed shall hold his place until the next election.

Limit of Liabilities for Money Borrowed.

78. (Sec. 5200.) The total liabilities to any association, of any person, or of any company, corporation, or firm for money borrowed, including, in the liabilities of a company or firm, the liabilities of the several members thereof, shall at no time exceed one-tenth part of the amount of the capital stock of such association actually paid in. But the discount of bills of exchange drawn in good faith against actually existing values, and the discount of commercial or business paper actually owned by the person negotiating the same, shall not be considered as money borrowed.

Dividends and Surplus Fund.

77. (Sec. 5199.) The directors of any association may, semi-annually, declare a dividend of so much of the net profits of the association as they shall judge expedient; but each association shall, before the declaration of a dividend, carry one-tenth part of its net profits of the preceding half-year to its surplus fund until the same shall amount to twenty per centum of its capital stock.

Withdrawal of Capital Prohibited.—Dividend Not to Exceed Net Profits.—Bad Debts Defined.

82. (Sec. 5204.) No association, or any member thereof, shall, during the time it shall continue its banking operations, withdraw, or permit to be withdrawn, either in the form of dividends or otherwise, any portion of its capital. If losses have at any time been sustained by any such association, equal to or exceeding its undivided profits then on hand, no dividend shall be made; and no dividend shall ever be made by any association, while it continues its banking operations, to an amount greater than its net profits then on hand, deducting therefrom its losses and bad debts. All debts due to any association, on which interest is past due and unpaid for a period of six months, unless the same are well secured, and in process of collection, shall be considered bad debts within the meaning of this section. But nothing in this section shall prevent the reduction of the capital stock of the association under section fifty-one hundred and forty-three.

Liabilities and Penalties for Violating the Law.

118. (Sec. 5239.) If the directors of any National banking association shall knowingly violate, or knowingly permit any of the officers, agents, or servants of the association to violate any of the provisions of this Title, all the rights, privileges, and franchises of the association shall be thereby forfeited. Such violation shall, however, be determined and adjudged by a proper circuit, district, or territorial, court of the United States, in a suit brought for that purpose by the Comptroller of the Currency, in his own name, before the association shall be declared dissolved. And in cases of such violation, every director who participated in or assented to the same shall be held liable in his

personal and individual capacity for all damages which the association, its shareholders, or any other person, shall have sustained in consequence of such violation.

PENALTY FOR EMBEZZLEMENT, MAKING FALSE ENTRIES IN BOOKS, REPORTS, ETC.

137. (SEC. 5209.) Every President, director, Cashier, teller, clerk, or agent of any association, who embezzles, abstracts, or wilfully misapplies any of the moneys, funds, or credits of the association; or who, without authority from the directors, issues or puts in circulation any of the notes of the association; or who, without such authority, issues or puts forth any certificate of deposit, draws any order or bill of exchange, makes any acceptance, assigns any note, bond, draft, bill of exchange, mortgage, judgment, or decree; or who makes any false entry in any book, report, or statement of the association, with intent, in either case, to injure or defraud the association or any other company, body politic or corporate, or any individual person, or to deceive any officer of the association, or any agent appointed to examine the affairs of any such association; and every person who with like intent aids or abets any officer, clerk, or agent in any violation of this section, shall be deemed guilty of a misdemeanor, and shall be imprisoned not less than five years nor more than ten.

In all elections of directors, and in deciding all questions at meetings of stockholders, one vote for every share of stock present or by proxy is permitted, but no officer, director, clerk, teller, or bookkeeper of the association can act as proxy, and no stockholder whose liability upon his subscription for stock is due and unpaid shall be allowed to vote.

The usual form of proxy used is as follows:

FORM OF PROXY.

Know all men by these presents, that I, ——— ———, do hereby constitute and appoint ——— ———, attorney and agent for me, and in my name, place and stead, to vote as my proxy at any and all elections of directors of ——— ——— ———, according to the number of votes I should be entitled to vote if there personally present.

In witness whereof, I have hereunto set my hand and seal this —— day of ———, one thousand nine hundred and ——.

——— ———.

Sealed and delivered in the presence of
——— ———
——— ———

Under the National Banking Law every director must take an oath showing that he is justly entitled to fill the office and that he will faithfully perform the duties.

The following are the prescribed forms:

FORM OF DIRECTOR'S OATH.

State of ———, County of ———, ss:

I the undersigned, director of the ——— ———, of ———, of the State of ———, do solemnly swear that I am a citizen of the United States, and resident of the State of ———, and that I will, so far as the duty devolves on me, diligently and honestly administer the affairs of said bank; and that I will not knowingly violate, or willingly permit to be violated, any of the provisions of the statutes of the United States under which this bank has been organized; and that I am the *bona fide* owner, in my own right, of the number of shares of stock subscribed by me or standing in my name on the books of the said bank, and required by said statutes; and that the same is not hypothecated, or in any way pledged as security for any loan or debt.

_____ _____.

[Post office address.]

Subscribed and sworn to this ——— day of ———,190—, before the undersigned, a ——— ——— of said county.

_____ _____.

FORM OF JOINT OATH.

State of ———, County of ———, ss:

We, the undersigned directors of the ——— ———, of ———, of the State of ———, do, each for himself and not one for the other, solemnly swear that we are citizens of the United States, and residents of the State of ———, and that we will severally, so far as the duty devolves upon us, diligently and honestly administer the affairs of said bank; and that we will not knowingly violate, or willingly permit to be violated, any of the provisions of the statutes of the United States under which this bank has been organized; and each for himself does swear that he is the *bona fide* owner, in his own right, of the number of shares of stock subscribed by him, or standing in his name on the books of the said bank, and required by said statutes; and that the same is not hypothecated, or in any way pledged as security for any loan or debt.

	NAME. (Original signatures necessary.)	*Residence and post office address.* (Do not omit.)
1		
2		
3		
4		
5		

On this ——— day ———, A.D. ———, before me, a ——— in and for the State and county aforesaid, appeared ——————————— who are personally well known to me, and took the foregoing oath, and each subscribed the same in my presence.

_____ _____,

Notary Public.

[Official seal of officer.]

When these or either of them have been properly signed and attested they must be sent at once to the Comptroller of the Currency.

The directors having been elected or appointed, and having qualified should, as soon as practicable, elect a President and Vice-President, and select a Cashier. They should also adopt by-laws (see section 5136) of which the following is submitted as a general form, to be modified in such manner as will make them suitable for the circumstances of the respective banks, and the views of their directors.

GENERAL FORM OF BY-LAWS OF NATIONAL BANKS.

By-laws of the [here insert the title of the bank] organized under the National banking laws of the United States.

ELECTIONS.

SECTION 1. The regular annual meetings of the stockholders of this bank for the election of directors shall be held at its banking-house on the second Tuesday of January of each year, between the hours of ten and four of said day, thirty days' notice of the time and object of which meeting shall be given by the Cashier of this bank by publication in [here insert the name of the newspaper in which the notice is to be published]. And it shall be the duty of the board of directors, within one month previous to the time of said election, to appoint three stockholders to be judges of said election, who shall hold and conduct the same, and who shall, after the election has been held, notify under their hands the Cashier of this bank of the result thereof, and the names of the directors-elect.

SEC. 2. The Cashier, upon receiving the returns of the judges of the election as aforesaid, shall cause the same to be recorded upon the minute book of the bank, and shall notify the directors-elect of their election, and of the time at which they are required to meet at the banking-house of the bank for the purpose of organizing the new board. If at the time fixed for the meeting of the directors-elect there should not be a quorum in attendance, the members present may adjourn from time to time until a quorum is secured; and no business shall be transacted prior to qualifying by taking the oath of office as prescribed by law.

SEC. 3. If, for any cause, the annual election of directors should not be held on the date fixed in the articles of association, the directors in office shall order an election to be held on some other day, of which special election notice shall be given in accordance with the requirement of section 5149 Revised Statutes, judges appointed, returns made and recorded, and the directors-elect notified according to the provisions of sections one and two of these by-laws.

OFFICERS.

SEC. 4. The officers of this bank shall be a President, Vice-President, Cashier, teller, bookkeeper, and such other officers as may be from time to time required for the prompt and orderly transaction of its business, to be elected or appointed by the board of directors, by whom their several duties may be prescribed.

SEC. 5. The President shall hold his office for the current year for which the board of which he shall be a member was elected, unless he shall resign, become disqualified, or be removed; and any vacancy occurring in the office of President or in the board of directors shall be filled by the remaining members.

SEC. 6. The Cashier and the subordinate officers and clerks shall be appointed to hold their offices respectively during the pleasure of the board of directors.

SEC. 7. The Cashier of this bank shall be responsible for all the moneys, funds, and valuables of the bank, and shall give bond, with security to be approved by the board, in the penal sum of ——— dollars, conditioned for the faithful and honest discharge of his duties as such Cashier, and that he will faithfully apply and account for all such moneys, funds and valuables, and deliver the same to the order of the board of directors of this bank, or to the person or persons authorized to receive them.

SEC. 8. The President of this bank shall be responsible for all such sums of money and property of every kind as may be intrusted to his care or placed in his hands by the board of directors or by the Cashier, or otherwise come into his hands as President, and shall give bond, with security to be approved by the board, in the penal sum of ——— dollars, conditioned for the faithful discharge of his duties as such President, and that he will faithfully and honestly apply and account for all sums of money and other property of this bank that may come into his hands as such President, and pay over and deliver the same to the order of the board of directors, or to any other person or persons authorized by the board to receive the same.

SEC. 9. The teller shall be responsible for all such sums of money, property, and funds of every description as may, from time to time, be placed in his hands by the Cashier, or otherwise come into his possession as teller; and shall give bond, with security to be approved by the board, in the penalty of ——— dollars, conditioned for the honest and faithful discharge of his duties as teller, and that he will faithfully apply, account for, and pay over all moneys, property, and funds of every description that may come into his hands by virtue of his office as teller, to the order of the board of directors aforesaid, or to such person or persons as may be authorized to demand and receive the same.

SEAL.

SEC. 10. The following is an impression of the seal adopted by the board of directors of this bank:

{ Impression of seal. }

CONVEYANCE OF REAL ESTATE.

SEC. 11. All transfers and conveyances of real estate shall be made by the bank, and under the seal thereof, in accordance with the orders of the board, and shall be signed by the President or Cashier.

INCREASE OF STOCK.

SEC. 12. Whenever an increase of stock shall be determined upon, in accordance with the provisions of the articles of association of this bank, it shall be the duty of the board to notify all the stockholders of the same, and to

cause a subscription to be opened for such increase of capital. In the increase of capital each stockholder shall have the privilege of subscribing for such number of shares of the new stock as he may be entitled to subscribe for, according to his existing stock in the bank. If any stockholder should fail to subscribe for the amount of stock to which he may be entitled, the board of directors may determine what disposition shall be made of the privilege of subscribing for the unsubscribed stock.

Business of the Bank.

Sec. 13. This bank shall be opened for business from —— o'clock A. M. to —— o'clock P. M. of each day of the year, excepting Sundays and days recognized by the laws of this State as national and religious holidays. When any regular weekly meeting of the board of directors falls upon a holiday, the meeting shall be held upon such other day as the board may previously designate.

Sec. 14. The regular meetings of the board of directors shall be held on the [here insert time of meetings]. Special meetings may be called by the President, Cashier, or at the request of three or more directors, and should there be no quorum at any regular or special meeting, the members present may adjourn from day to day until a quorum is in attendance. Any meeting may be adjourned by a vote of a majority of a quorum, but in the absence of a quorum no business shall be transacted.

Sec. 15. There shall be a committee, to be known as the exchange committee, consisting of the President, Cashier and directors, appointed by the board every —— months, to continue to act until succeeded, who shall have power to discount and purchase bills, notes and other evidences of debt, and to buy and sell bills of exchange; and who shall, at each regular meeting of the board of directors, make a report of all bills, notes and other evidences of debt discounted and purchased by them for the bank since their last previous report.

Minutes.

Sec. 16. The organization papers of this bank, the returns of the judges of the elections, the proceedings of all regular and special meetings of the directors, the by-laws and any amendments thereto, and reports of the examining committees of directors, shall be recorded in the minute book; and the minutes of each meeting shall be signed by the President and attested by the Cashier.

Transfers of Stock.

Sec. 17. The stock of this bank shall be assignable and transferable only on the books of this bank, subject to the restriction and provisions of the banking laws; and a transfer book shall be provided in which all assignments and transfers of stock shall be made.

Sec. 18. Transfers of stock shall not be suspended preparatory to the declaration of dividends; and, unless an agreement to the contrary shall be expressed in the assignments, dividends shall be paid to the stockholders in whose name the stock shall stand at the date of the declaration of dividends.

Sec. 19. Certificates of stock signed by the President and Cashier may be issued to stockholders, and the certificate shall state upon the face thereof that the stock is transferable only upon the books of the bank; and when

stock is transferred, the certificates thereof shall be returned to the bank and canceled, and new certificates issued.

EXPENSES.

SEC. 20. All the current expenses of the bank shall be paid by the Cashier, who shall, every six months, or oftener, if required to do so, make to the board a detailed statement thereof.

CONTRACTS.

SEC. 21. All contracts, checks, drafts, etc., and all receipts for circulating notes received from the Comptroller of the Currency, shall be signed by the President or Cashier.

EXAMINATIONS.

SEC. 22. There shall be appointed by the board of directors a committee of —— members, whose duty it shall be to exercise a supervision of the business of the bank, and to examine every three months the affairs of this bank, count its cash, and compare its assets and liabilities with the accounts of the general ledger, ascertain whether the accounts are correctly kept and if the condition of the bank corresponds therewith, and whether the bank is in a sound and solvent condition; and to recommend to the board such changes in the manner of doing business, etc., as shall seem to be desirable; the result of which examination shall be reported to the board at the next regular meeting thereafter.

SEC. 23. The board of directors shall have power to change the form of the books and accounts when deemed expedient, and define the manner in which the affairs of the bank shall be conducted.

QUORUMS.

SEC. 24. A majority of the directors, including the President or Vice-President, shall be a quorum to do business.

SEC. 25. These by-laws may be changed or amended by the vote of two-thirds of the directors.

Reference is made in these by-laws to the bonding only of the President, Cashier, and teller.

It is customary, however, to bond all the employees of a bank. The proper by-laws covering this can be easily added.

PAYMENTS ON CAPITAL STOCK.

The first payment on the capital stock (fifty per cent.) is now due and should be called.

Regarding the payments on account of the capital stock, a reference to section 5140 of the National Banking Law shows by the use of the words "paid in," that it was evidently the intention of the framers of the law that the capital stock should be paid in *money;* as notes are not money, but only an agreement to pay, it is evident that the spirit and intent of the law will be violated if they are accepted in payment for the stock. Instances have occurred where subscribers have given checks upon the bank, before it was open for

business, in payment of their assessment. Having nothing to their credit, the bank opened with overdrafts for these amounts, which were later covered by the proceeds of discounted notes. Other instances have occurred where the notes were presented for discount at the time the checks were given, thus avoiding the appearance of an overdraft. Both of these methods are pure evasions of the law. In fact, if, in either case, a proper examination of the bank had been made when ready for business, it would not have been permitted to proceed.

If a subscriber desires to have his note discounted at some other bank, and then give his check against that for his assessment, there can be no objection; but it is the intent of the law that the capital stock be paid for in money as a necessary working fund at the start.

Upon the final payment of the fifty per cent. assessment it is necessary that a certificate certifying to this fact be sent to the Comptroller of the Currency.

The following is the prescribed form:

CERTIFICATE OF OFFICERS AND DIRECTORS.

The undersigned, ——— ———, President, ——— ———, Cashier, and ——— ———, directors of the ——— ———, organized under the sections of the Revised Statutes of the United States, approved June 22, 1874, which authorize the organization of National banking associations, and of subsequent acts in addition to and amendatory thereof, do hereby certify that ——— dollars have been paid into said bank, on account of its capital stock, as permanent capital; that the residence of each director and the amount of stock which each director is the *bona fide* owner, are as follows:

NAME OF DIRECTOR.	*Place of residence.*	*Shares of stock.*

And that this bank has in good faith complied with all the provisions of said act required to be complied with before receiving authority to commence the business of banking.

———— ————,
President.

———— ————,
Cashier.

———— ————,
———— ————,
Directors.

State of ———, County of ———, ss:

On this ——— day of ———, 190—, before the undersigned, a ——— of ———, personally appeared ——— ———, President, ——— ———, Cashier, and ——— ———, directors of the ——— ———, and made oath that the foregoing certificate and the matters and things therein set forth are true to the best of their knowledge and belief.

———————— ————————.
———————— ————————.
———————— ————————.

Subscribed and sworn to before me, this ——— day of ———, 190—.

———————— ————————.

The oath of the President or Cashier and of a majority of the directors of an association is sufficient for this purpose.

Final Payment of Capital.

The five remaining installments upon the capital stock (ten per cent. each) must also be paid in money, and must be certified under seal of the bank to the Comptroller, one at the end of each succeeding month from the date of the issuance of his certificate of authority to commence business.

The form for these certificates is as follows:

CERTIFICATE OF PAYMENT OF CAPITAL STOCK.

The ——— Bank, ——— ———

To the Comptroller of the Currency, Washington, D. C.

Sir: It is hereby certified that the ——— installment amounting to ——— ——— dollars ($———), has been paid in on account of the capital stock of the ——— ———, the payments to date being as follows:

First	payment $———	(Date)———
Second	payment $———	(Date)———
Third	payment $———	(Date)———
Fourth	payment $———	(Date)———
Fifth	payment $———	(Date)———
Sixth	payment $———	(Date)———
Total,	$———	

————————— ————————,

[Seal of bank.] *Cashier.*

State of ———, County of ———, ss:

Subscribed and sworn to before the undersigned ——— ——— of the said county this ——— day of ———.

————————— ————————,

[Official seal of officer.] *Notary Public.*

The second and subsequent payments need not be restricted to ten per cent. each, and the capital stock of a National bank may, if desired, be paid in whole or in part in advance of the time required by law.

In case of the failure to pay any installment due on the capital stock by a subscriber, the board of directors may sell such stock at public auction to the highest bidder, the price to be not less than the amount due, after giving three weeks' notice in a newspaper of that town or county. If not so sold, it may be sold as the directors may order, otherwise it simply reduces the capital stock by that amount, which of course must be restored (see section 5141).

No certificate of stock should ever be issued until the stockholder has fully paid for his shares.

Deposit of Bonds.

At this point the organization of the bank is complete. The association can be authorized to commence the business of banking upon the deposit of United States registered bonds with the Treasurer of the United States, as required by law.

Banks with a capital of one hundred and fifty thousand dollars or less are required to deposit bonds equal to one-fourth their capital, and a deposit of at least $50,000 must be made by any bank with a capital in excess of $150,000.

It is entirely optional with the directors if they desire to issue circulating notes, but whether they do or not the law requires the deposit of bonds.

These bonds should be sent to the Comptroller of the Currency, requesting him to have them transferred, and to sign the memorandum required by section 5162, and to deposit them with the Treasurer.

Registered bonds should be assigned to the Treasurer of the United States (in the manner prescribed by the printed note on the back of the bonds) in trust for the association for the redemption of whose notes they are pledged, in order that they may be transferred upon the books of the Register of the Treasury, and new bonds issued to the Treasurer in trust for the bank.

Care should be exercised that the corporate name of the bank is correctly stated in the assignment, the word "the" often making serious inconvenience if omitted or added erroneously.

Authority of the board of directors must always accompany the request for a transfer of bonds.

Coupon bonds can be exchanged for registered bonds by sending them to the Comptroller, and requesting the same.

Circulating Notes.

If the bank should desire to issue circulation it can do so to the extent of the par value of the bonds deposited, providing the sum does not exceed the amount of the capital stock.

In estimating the profits to be derived from the issue of circulating notes, the following figures, taken from the Annual Report of the Comptroller of the Currency for 1901, will be found worthy of study.

Profit on National Bank Circulation Based on a Deposit of $100,000 Bonds, October 31, 1901 (Prepared by the Government Actuary).

	Class of Bonds.				
	2's of 1930.	*3's of 1908.*	*4's of 1907.*	*4's of 1925.*	*5's of 1904.*
Market value	108.712	108.258	111.799	138.261	106.639
Maximum cir'n obtainable.	$100,000.00	$100,000.00	$100,000.00	$100,000.00	$100,000.00
Receipts:					
Interest on cir'n, 6 p. c...	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00
Interest on bonds	2,000.00	3,000.00	4,000.00	4,000.00	5,000.00
Gross receipts	$8,000.00	$9,000.00	$10,000.00	$10,000.00	$11,000.00
Deductions:					
Tax	$500.00	$1,000.00	$1,000.00	$1,000.00	$1,000.00
Cost of redemption	45.00	45.00	45.00	45.00	45.00
Express charges	3.00	3.00	3.00	3.00	3.00
Plates	7.50	7.50	7.50	7.50	7.50
Agents' fees	7.00	7.00	7.00	7.00	7.00
Sinking fund	117.94	1,001.37	1,763.68	766.92	2,777.82
Total	$680.44	$2,063.87	$2,826.18	$1,829.42	$3,840.32
Net receipts	$7,319.56	$6,936.13	$7,173.82	$8,170.58	$7,159.68
Int. on cost of bonds at 6 p. c.	6,522.72	6,495.48	6,707.94	8,295.66	6,398.34
Profit on cir'n in excess of 6 p. c. on the investment.	$796.84	$440.65	$465.88	* $125.08	$761.34
Per cent	0.733	0.407	0.417	0.090	0.714

* Loss.

It will be seen that at the prices of United States bonds on October 31, 1901, the circulating notes of a National bank yielded in no case as much as one per cent. per annum, the average yield being less than one-half of one per cent. The profit varies with the price of Government bonds, being greatest when the price of bonds is lowest, and *vice versa.* Owing to the premium on the bonds, the profit is smaller in localities where interest rates are highest, and the profit increases as interest rates fall.

The above tables are based upon the assumption that all the notes issued are constantly kept loaned out—something that is hardly ever possible in practice.

Certain taxes are imposed semi-annually upon the average amount of notes in circulation, and the rate depends upon the class of bonds deposited. If the two per cent. bonds issued under section 13 of the act of March 14, 1900, are the ones used, the tax is one-fourth of one per cent. semi-annually. For all other bonds used the tax is one-half of one per cent. semi-annually, or one per cent. a year.

In giving the first order plates have to be ordered also. This original order must be made upon a blank, which is as follows:

ORIGINAL ORDER FOR PLATE AND CIRCULATION.

(*Series of 1882.*)

——— National Bank of ———,

———————.

To the Comptroller of the Currency.

SIR: You are requested to have plates engraved and circulating notes printed therefrom, in blank, under the National Bank Act, for this bank, to the amount of ——— dollars and of the following denominations, viz.:

No. of Sheets.	*Plates.*	*Amount.*
	Sheets $5, $5, $5, $5.....($20 per sheet)	$
	Sheets $10, $10, $10, $20.....($50 per sheet)	
	Sheets $50, $100.....($150 per sheet)	
	Total.....	

Respectfully,

———————— ————————,

Cashier.

Original orders for circulation should be in an amount as near the par value of the bonds deposited, or to be deposited, as can be made from multiples of the sheet of notes ordered.

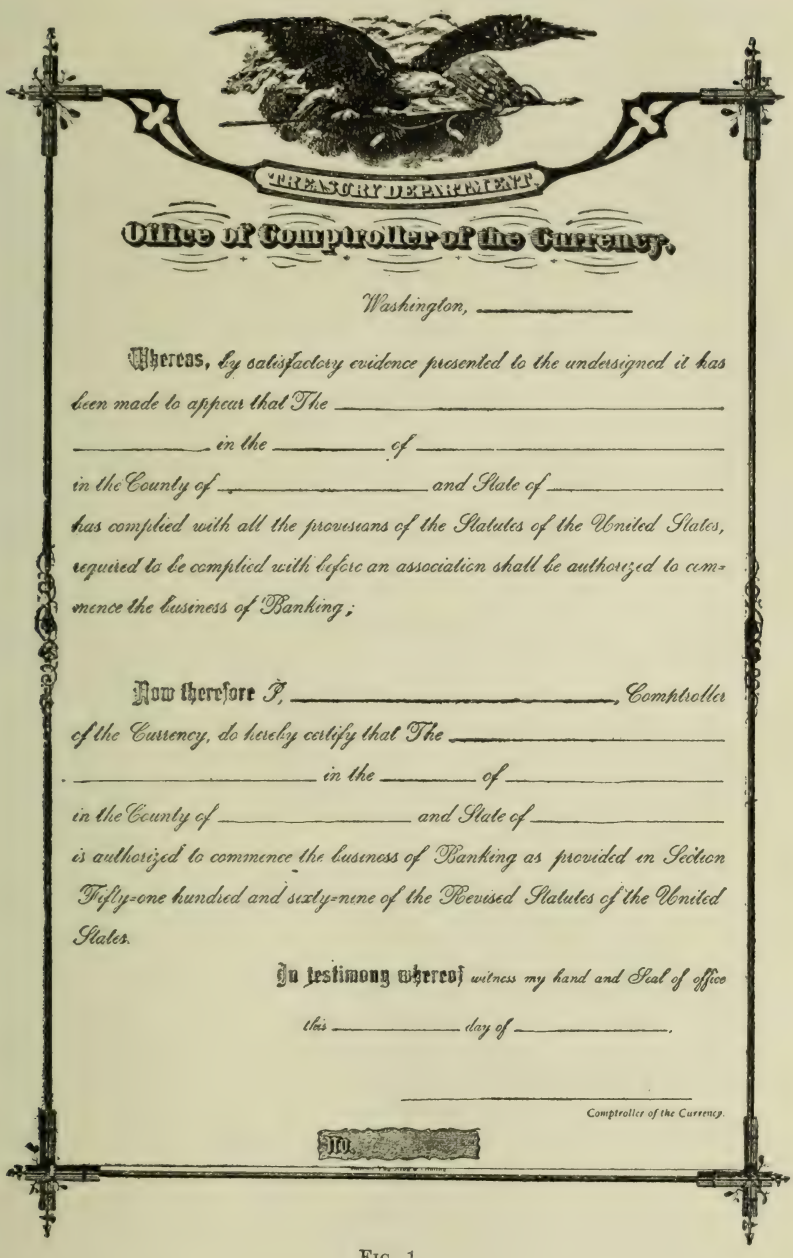
The paper and printing of the notes are at the cost of the Government, but the expense of engraving the plates must be paid by the bank as follows:

Plate for $5 ($20)..... $75
Plate for $10 and $20 ($50)..... $75
Plate for $50 and $100 ($150)..... $50

A requisition will be made by the Comptroller upon the bank at the proper time for the cost of the plates.

The act of March 14, 1900, provides that no National bank shall be entitled to receive from the Comptroller, or to issue, more than one-third in amount of its circulating notes of the denomination of $5. Banks desiring the full amount of circulation to which they are entitled, including notes of the denomination of $5, will require at least two plates.

It usually requires about forty-five days to fill an order for circulating notes, but the order can not be acted upon until all legal requirements have been satisfied, including the deposit with the Treasurer of the United States of the required bonds, as the charter num-


TREASURY DEPARTMENT.

Office of Comptroller of the Currency.

Washington, _____

Whereas, *by satisfactory evidence presented to the undersigned it has been made to appear that The* _____ _____ *in the* _____ *of* _____ *in the County of* _____ *and State of* _____ *has complied with all the provisions of the Statutes of the United States, required to be complied with before an association shall be authorized to commence the business of Banking;*

Now therefore *I,* _____, *Comptroller of the Currency, do hereby certify that The* _____ _____ *in the* _____ *of* _____ *in the County of* _____ *and State of* _____ *is authorized to commence the business of Banking as provided in Section Fifty-one hundred and sixty-nine of the Revised Statutes of the United States.*

In testimony whereof *witness my hand and Seal of office this* _____ *day of* _____.

_____

Comptroller of the Currency.

(SEAL)

FIG. 1.

ber of the association, which cannot be previously determined, must appear upon the plate from which the notes are printed.

Bank officers should be very particular to observe the multiples of the different sheets of notes, and put in amounts that can be

made from such multiples. This will save returning many orders for correction.

The form for a supplementary order for circulating notes is the same as the original order, with the exception of the request for the engraving of a plate.

The necessary amount of bonds having been deposited with the Treasurer, the Comptroller will, if he is satisfied that the association has complied with the requirements of the law, and that the shareholders have in good faith organized it for the legitimate objects contemplated by the National Bank Act, give to the association a certificate authorizing it to commence the business of banking. This certificate, upon receipt thereof, must be published in some newspaper in the city or county where the association is located, for at least sixty days next after the issuing of the same; or, if no newspaper is published in such city or county, then in the newspaper published nearest thereto.

Fig. 1 shows the customary form for this certificate of authority.

Organization of State Banks.

The preceding remarks on organization treat almost exclusively of National banks. Regarding the organization of State banks, each State has its own laws, and these banks must be organized, and must operate, under these laws. As these laws are not the same in each State it is impossible to embody them in this work.

All the States and Territories, with the exception of Alabama, Alaska, Arkansas, Delaware, District of Columbia, Idaho, Indian Territory, Nevada, Oregon, South Carolina and Texas, have in operation banking departments, or provide by law for the submission of reports to some officer of the State, and for the examination, at certain periods, of the State banks. In Kentucky the Auditor of the State takes charge of this matter, and in Tennessee the Secretary of State is the supervising officer.

Those desiring to organize State banks within any of the States, except those mentioned above, should apply to the Banking Department of that State for full instructions and the blank forms necessary. In the States of Kentucky and Tennessee the application should be made to the Auditor of the State and to the Secretary of State, respectively. In the other States and Territories mentioned, except Texas, Indian Territory, and Alaska, if application be made to the Secretary of State it will no doubt reach the proper official and receive prompt attention.

The laws of Texas are peculiar, banks being prohibited by the State constitution. During the reconstruction period a few banks were organized under that State administration, but they have

either become National banks or gone into liquidation. The National banking system has proved so satisfactory in Texas that there has been no disposition to try the experiment with any other.

In regard to banking in the Territories, with the exception of the Indian Territory and Alaska, provisions are found in their laws for the incorporation of banks therein. But in the Indian Territory, while there are incorporated banks doing business under charters obtained from the State of Arkansas, still there are no laws in force in this Territory nor in Alaska for incorporating banks under Territorial authority.

Some States prohibit foreign banking corporations, that is those incorporated in another State, from transacting business in their State; thus a bank incorporated in New York State cannot do business in Pennsylvania without taking out a Pennsylvania charter.

Regarding banking in Hawaii, section 55 of the act of Congress approved May 30, 1900, entitled "An act to provide a government for the Territory of Hawaii," provides that the legislature "may by general act permit persons to associate themselves together as bodies corporate for * * * conducting the business of insurance, Savings banks, banks of discount and deposit (not of issue), loan, trust and guaranty associations."

Regarding Porto Rico, one American bank is in operation chartered under the laws of the State of West Virginia. The only bank of issue in the island is the Spanish Bank of Porto Rico, the chartered rights of which, granted by Spain in 1888, were recognized in the Treaty of Paris.

In the Philippines the bulk of the banking business is transacted through the Hongkong and Shanghai Banking Corporation, the Chartered Bank of India, Australia and China, and the Spanish-Filipino Bank.

Any special information regarding our island colonies can be obtained from the Comptroller of the Currency at Washington, D. C.

The Banking Office, Furniture and Fixtures.

The association having received authority to commence the business of banking, it is to be presumed that proper preparation has been made in the securing of a suitable building or room in which to transact business, and having it provided with the necessary furniture, and with *first-class* vault and the necessary safes, as near burglar and fire-proof as can be found. It is a shortsighted policy to have poor or mediæval articles of this kind. Only the *best* in the way of safes for the security of the money and valuables of a bank should be considered.

Every bank should have a separate compartment in a vault or

safe, apart from that in which the money is kept, to be used for the safe keeping of valuable papers, and stocks, bonds and other securities, whether they be the property of the bank or of others, and left as collateral for loans, or for other purposes.

These should be locked up with a combination known only to the principal officers of the bank, except where in some large banks a clerk is employed to take charge of the collateral; in such cases it is of course necessary for him to have access to the special compartment or safe.

The law holds a bank to a strict accountability for the care of collateral in its possession belonging to others.

Let me say a word regarding vaults. Few banks seem to realize the necessity of plenty of vault room in the beginning of their career. Wherever possible it is an advantage to have two vaults. Many large banks have one at least for each department. But it is a great advantage to have one vault in which should be the safes for the money and securities, and another for the books and vouchers. Where a bank is so situated that it is impossible to have more than one vault, have that one large. Ten feet by twelve inside is none too large for a small bank, and twelve by fifteen will be found much more comfortable, for as the bank grows the extra space will be found very convenient.

Where there is only one vault the largest portion should be set apart for the care of the books and papers, shelving being erected for the former, and drawers or files and compartments for the care of checks and deposit tickets, etc. The balance of the vault should be partitioned off by a steel wire grating in which should be the safes for the money and securities. The best shelving is now made of steel, with roller shelves. Files and compartments of all kinds are made of the same material and fitted into the vaults.

Be sure that the vault, especially where books and papers are to be kept, is dry and well ventilated. Where this is not the case it frequently occurs that books have to be rebound before half used, and papers become mouldy and get destroyed.

In securing the furniture be sure to have it abundant for all the needs, and have it well made. Cheap furniture, besides being unsatisfactory, is apt to give a wrong impression. Wherever possible it is well to have the desks of those handling money or valuable papers or securities enclosed in a strong wire cage with a door which closes and locks automatically, and opens without a key only from the inside.

CHAPTER II.

QUALIFICATIONS AND DUTIES OF THE OFFICERS AND EMPLOYEES.

The President.

The President is the executive agent of the board of directors within the ordinary business of the bank. From his mere official station he has no more control over the corporate property and funds than any other director.

Where an act in the line of the ordinary business of the bank is performed by him the presumption is that the act is legally done and is binding upon the body.

But it is only the ordinary business of the bank that the President is empowered to transact without special authority.

Although he is the general manager, yet it will be seen that he is subservient to the board of directors, they being really the governing power.

In the selection of a President, the question of popularity is too often the main feature, and experience too little considered. Too many seem to think that any man who has made money in any line of business can easily manage a bank, and yet this is often a great mistake.

To manage a bank successfully a man needs the practical experience in the detail just as much as in a manufactory of any kind.

The *first* element always to be considered in selecting an officer or director, or even employees of a bank, is character, and this should be above reproach in every respect; it cannot be too high. No man of drinking, sporting or gambling tendencies should be connected with a bank.

A bank President should be a broad-minded man, a man of liberal ideas, but cautious. He should be one whom all can respect, endowed with firmness, yet not domineering; a man of quick perception, and able to grasp situations and act promptly. As he is in reality the general manager, he should be able to advise and direct, and from his practical knowledge be able to know when a transaction is right or wrong.

The National Banking Law prescribes various duties for the President and the by-laws of National banks generally make the Presi-

dent "responsible for all such sums of money and property of every kind as may be intrusted to his care or placed in his hands by the board of directors, or by the Cashier, or otherwise come into his hands as President," and they further state that "all contracts, checks, drafts, etc., and all receipts for circulating notes received from the Comptroller of the Currency, shall be signed by the President or Cashier;" also, "all transfers and conveyances shall be made by the bank and under the seal thereof, in accordance with the orders of the board, and shall be signed by the President or Cashier."

The President must sign the circulating notes and all certificates of stock issued, and it is customary for him to sign the minutes of all business meetings (which should be attested by the Cashier). He should sign and swear to the reports of condition that are to be sent to the Comptroller of the Currency, whenever necessary, and he should be able to know if they are correct before he does so. Only a practical banker can do this. He should carefully supervise the loans between the meetings of the board, and must therefore have a knowledge of business conditions and credits.

Having said much regarding what a bank President should be, let me give a few illustrations from life showing what he should not be.

At the organization of a new bank so much quarreling took place that it was found impossible to secure any man of prominence for the presidency. A wealthy stockholder presented the name of his son, who held barely enough stock (ten shares) to permit his being a director. The son had been a commission merchant, and not very successful at that; a man of speculative habits, with little tact and no banking experience. In a very few years he had nearly ruined the bank and brought disgrace upon himself. Eventually the bank had to go into voluntary liquidation.

A new bank was started in an active growing town. A man was elected President who was considered "popular," that is, hail-fellow with everybody, always ready to stand treat or be treated with "the boys," a member of the clubs, and of the "Blood-horse Association," decidedly speculative tendencies, a local politician, with no banking experience; smart, but not over-scrupulous. His bank was ruined in ten years and his reputation gone, and that of some of his directors dragged down with him.

In another case similar to the above the bank lasted two years and a half and was closed by the Comptroller, and the depositors realized only about fifteen per cent.

Another bank President, with no experience, was imposed upon by a gentlemanly, shrewd, and not too scrupulous Cashier, who induced him to sign and swear to reports of condition to the Comptrol-

ler which were in reality false. The drama ended with a broken bank and a sentence of five years in the penitentiary, for ignorance is no excuse in the eye of the law.

The Vice-President.

The Vice-President has as a general rule, except in some of the large city banks, very little to do. The articles of association usually prescribe that "the Vice-President shall be a member of the board of directors, and shall be authorized, in the absence or inability of the President from any cause, to perform all acts and duties pertaining to the office of President, except such as the President only is authorized by law to perform."

The signing of circulating notes is the only act that the Vice-President is specially authorized by law to perform, this of course only in the absence or inability of the President, and he is not therefore legally qualified to act in the place of the President in performing any other act prescribed by the United States statutes for the President.

In large city banks there is sometimes more than one Vice-President, and they share with the President many of the duties, such as looking after certain classes of loans or taking the general management of certain departments. It can be seen that a man of similar characteristics to those required by the President is necessary.

The Cashier.

The Cashier is the important working man in the bank. He is in reality the executive officer, and represents the will of the President and directors, and sees to it that their will and wishes are carried into effect; but he is nevertheless an agent of the shareholders, an independent and responsible officer.

As the success and welfare of every bank necessarily must depend very largely upon the ability, integrity and skill of its Cashier, it is exceedingly important that this officer should be thoroughly posted upon all the detail of bank work, and should clearly understand the responsibilities devolving upon him, and the nature of his duties. He should study the National Banking Law with relation to his legal standing and duties and to the penalties prescribed, especially those in sections 5208 and 5209.

He should keep himself fully acquainted with the banking laws under which he is working, read the reports of banking law cases, and make himself conversant with the customs and practices pertaining to his position. A very great aid in this are some of the excellent banking journals and magazines with which the modern bank Cashiers are favored.

The bank Cashier should be eminently a practical banker. He should have worked at all the various desks of a bank and thoroughly understand the detail, as it is he who must direct the clerical force.

Of course the first requisite for a Cashier is high and unimpeachable character. He should be beyond criticism as well outside of the bank as inside, and this should pertain to all employed in a bank. In no other business is this so necessary, for in no other business is there so much responsibility regarding the property of others. No man of speculative tendencies, or who is disposed to be dissipated in the slightest degree, no matter what his popularity, should ever be made Cashier of a bank; the risk is too great.

In the matter of popularity a word of explanation may be useful, as it would not be wise to place what is considered an unpopular man in an official position in a bank.

There are two types of popularity, one connected with the lower element, not necessarily the poor, and the other representing the higher and better element, speaking always from a standpoint of high character.

The man who seeks to be popular with *everybody* must necessarily be a weak man and is not fit to be an officer of a bank.

To be a successful bank officer, and especially a Cashier, the utmost courtesy, combined with firmness, is necessary.

Duties of the Cashier.

The duties which a Cashier is by law required to perform, consist principally of the verification of various reports and certificates under oath, and the signing of circulating notes. The by-laws generally prescribe that he shall be held responsible for all the moneys, funds and valuables of the bank, the signing of checks, drafts, certificates of deposit, Cashiers' checks and other vouchers for money or valuables entrusted to the bank for safe keeping, or for the payment of running expenses; the buying and selling of exchange, coin, and bullion. He may also indorse paper left with the bank for collection, indorse and deliver paper and collateral security representing the same, when paid, but he cannot compromise a debt or change the terms of a contract without the authority from the board of directors.

He may rediscount negotiable paper for the benefit of the bank, or pledge securities to borrow money, but all such acts should only be made with the full knowledge and consent of the board of directors. The board of directors may limit the powers of the Cashier, but if he should act in spite of these limits his acts would bind the bank to outside parties, for it is difficult for the bank to go behind the Cashier's signature.

The Cashier is authorized, by virtue of his office, to certify checks when the drawer has funds. Without funds, as between him and the bank, he has no such power. This act is often performed by the teller, yet, although the teller may be clothed with the power to do so, this in no way affects the right of the Cashier.

The Cashier also signs all certificates of stock, and except in large banks in our cities, he takes charge of the stock ledger. He also has charge of the dividend book.

At the meetings of the board of directors he acts as secretary and writes up the minutes, and attests the signature of the President to the same.

The correspondence generally falls to the Cashier, but in many of our large and busy banks it is found necessary to distribute this among various departments, the corresponding clerk, the collection clerk, and the Assistant Cashier performing the most of it.

The Cashier is expected to know the condition of his bank at all times, for although he does not keep the books, yet he, as the executive officer, with everything under his charge, will be expected to know. To assist him in this, a statement book, generally made up daily (in some country banks weekly), is written up by the general bookkeeper, and laid upon his desk; from it he can see at a glance what the liabilities and assets of the bank are, and their character.

The Cashier, as can easily be understood, is a very busy man, with much upon his mind, and often matters that must be attended to promptly, such as the necessary advertising of the annual meeting according to law, and many other things, are apt to be overlooked. To assist his memory, a small diary kept upon his desk, in which are noted, as the matter comes up, those things which are to be attended to under their proper dates, will be found to be exceedingly useful, relieving his mind of much of the burden.

Another aid to the Cashier of an active bank will be found in an indexed list of the depositors, in which is noted their rating commercially, when they began depositing with the bank, and who introduced them, and their general standing with the bank, and character of their accounts. This may be kept briefly, but it will often answer questions of value to the Cashier. He can always gather more extended information by an examination of the depositor's account, if necessary.

New depositors coming to the bank are referred to the Cashier, and it is his business to enquire particularly regarding them. In this he can not be too careful. He is not bound to accept every would-be customer who presents himself, but must be as a watch-dog to protect the bank against the impostors who will occasionally appear.

He must keep a close watch on the collateral (in some large banks a clerk is especially employed for this purpose) and must be ready to call for more security where there is a depreciation in value in that already held.

Another duty of a Cashier or his assistant is to take charge of the payroll, and direct the payment of the salaries, which is usually done every two weeks. For the money used he gives an order or charge ticket on the teller. Sometimes the various amounts are paid in cash and sometimes, when the employees have accounts at the bank, they are credited to their accounts, by means of deposit tickets. The Cashier must keep himself daily informed of the condition of the bank's reserve.

Many years ago a Cashier could not hold stock, and was treated merely as an employee. But now he is usually a stockholder and often a director. By being a stockholder he naturally becomes more interested in the welfare of the bank, and his position as an officer is much more definite.

The Assistant Cashier.

The next officer to mention is the Assistant Cashier. Not all banks find it necessary to fill this position. In our large cities, where the duties of the Cashier's desk are very heavy, he is a necessity; in fact, many large banks have more than one. Except in these special cases the position is generally filled by the paying teller or general bookkeeper. The duties are simply to act as an assistant to the Cashier in such ways as he or the board of directors may direct, and performing the official duties of the Cashier during his absence. Of course to be able to do this he must be a man of high character and with more than ordinary experience in banking, and should be endowed with that tact which is so necessary in dealing with others. Many bank clerks, while capable of handling figures successfully, are unable to attend to correspondence, lacking the ability to frame a good letter. As attending to part of the correspondence is often one of the duties of an Assistant Cashier, the ability to do this satisfactorily must be apparent.

The Bank's Legal Adviser.

One exceedingly important officer of a bank is the attorney. Questions regarding the legal rights and duties of the bank and its customers, in such matters, for instance, as the management of business paper, transfers of shares of stock, the holding and disposing of real estate, besides numerous others, will continually arise, and the bank that has its own attorney, who can be called upon at any

time for a legal opinion and who will take a personal interest in serving the bank, is placed at a great advantage.

Select a good, clear-headed man, well versed in the law. If possible to secure him as a stockholder and director so much the better, as he will naturally feel a stronger interest in the affairs of the institution. It is wise to pay him a yearly salary wherever possible, or have an understanding with him that all the legal business of the bank is to be given to him, he to be allowed to charge the customary fee. But I think the salary plan will be found to be the best. By securing such a man the bank is always in a position to act safely in legal matters, and a live bank attorney, if not already posted, will soon become expert on banking law.

The Employees.

The next question that presents itself is the selection of the necessary working force.

In keeping the records of the business of a bank so much depends upon the men who are to perform the daily work, the clerical force, that a few words regarding them will not be out of place.

However good and systematic the methods may be, unless the men are of the right stamp the methods will be of little value.

Applications will come from all directions for the various positions of clerk, messenger, bookkeeper, teller, etc., all giving references, and some detailing their former experience in the banking business, but many will be found to have had no such experience. Many names of young men will be presented by stockholders and directors, and the Cashier, into whose hands all the applications are placed, will thereby be put in an unfortunate position, for between his desire to do justice to the bank and to retain his pleasant relations with others, he will be between two fires that may interfere seriously with his independent choice.

How often this is done, and yet it is extremely unjust to the Cashier to place him in such a position. Since the Cashier is the man under whose direction the clerical work is performed, he should be permitted to choose his working force and should not be interfered with except for some good reason.

It has frequently occured that an inefficient clerk has been placed in a bank by some influential stockholder or director, and has simply been a dead weight, others being obliged to revise and correct his work, thus forcing double care upon them, and this condition interferes with the efficiency of the whole force, for it often creates an unpleasant feeling. To have a well-managed bank the working force must pull together harmoniously, each one performing his full share. There is a great difference in the interest shown by the employees;

some, while performing their duties carefully, do it in a merely perfunctory way; others seem to take a personal interest and to work for the general good of the bank. While the former may be good clerks, yet they are what is termed merely mechanical men, and the latter type will always be found the most satisfactory.

Petty jealousy will sometimes enter the ranks of the working force and interfere with its efficiency, but it will often be found that there is some just cause. As a rule the element of justice is strong among the clerks, and while promotions for efficiency are treated in the happiest manner by all, yet when made merely from personal influence they invariably produce bad results. Many a first-class efficient clerk has become thoroughly discouraged after a long term of faithful service at finding himself superseded by some comparatively newcomer simply upon the question of personal influence.

In no business should the civil service rules be more strictly adhered to than in a bank, the question of personal influence having little weight.

Neatness and cleanliness, both in the work and in the personal appearance of the employees, are always to be desired, and should be insisted upon. First impressions are often hard to overcome, and slovenly surroundings in a bank may turn away more than one good customer.

It is wonderful how much the efficiency of the force may be affected by the treatment received from the officers.

The clerks have some claims upon the bank, or its managers, that should not be overlooked. A faithful, competent clerk has the right to expect appreciation, and it should not be denied him. If the financial condition of the bank does not warrant advance in salary, the kind word goes a long way and is always encouraging. Even from a business point of view it pays.

How often I have seen bank officers attempt to shirk the responsibility for criminal acts by making a tool of an unsuspecting clerk. Such men are beneath contempt. *It pays* to treat the clerks well and will surely injure the bank to do otherwise. Let me give one example that came to my personal attention.

A bank that had had an unusually successful career, and had paid large dividends, was, during a financial depression, unable to continue the same dividends. The board of directors proposed to reduce the salaries of the employees. The President, however, denounced such action, and declared he would leave the bank if the resolution passed, and said they could reduce his salary but should not touch that of the employees. His salary was reduced. It is hardly necessary to say that there was no duty too arduous for those employees after that, while that President remained with the bank.

My advice to all bank employees is to study well sections 5208 and 5209 of the United States Revised Statutes, and never allow themselves to be either led or driven into acting contrary to their provisions, and *never* to sacrifice principle.

The banking business, like any other, is affected by the general business conditions, consequently there are dull days, and busy days or seasons. Recognizing this, all well-managed banks carry along a staff strong enough to perform the work promptly and well during the busy season. In most of the large cities, however, it is customary to employ between June 1 and October 1 extra men to fill temporary vacancies caused by the clerks taking their vacations.

The best position in which a young man can begin in a bank is that of general assistant, in which he helps wherever needed about the bank, and has the opportunity of learning the relations of the various departments and familiarizing himself generally with the work. The young men who are desirous of making themselves as useful as possible, willing to help wherever needed, and show an interest in the work, and the desire to learn by observation, study, or otherwise, are the ones most likely to be selected when the chance for promotion comes.

There never was a time in the financial history of our country when the outlook for bright, energetic young men was so good as now. Those who expect to reach the goal must study as well as work. Banking law and finance is as necessary to master as the practical working of a bank, and the study of men, and how to deal with them, is of even greater importance to the banker.

The following from the pen of Mr. I. L. Jones of the Mechanics' Bank, St. Louis, is so excellent regarding "the duties of a bank employee," that I embody it here in full:

Duties of a Bank Employee.*

"In no other business is a daily statement of assets and liabilities so necessary as in a bank, and in pursuance of this requirement a statement of a bank employee's resources and obligations is presented.

Assets, or what he owns:	Liabilities, or what he owes:
Character,	Fidelity,
Conscience,	Labor,
Education,	Loyalty,
Health,	Politeness,
Honor,	Punctuality,
Talent.	Reliability.

* Paper prepared by I. L. Jones, of the Mechanics' Bank, St. Louis, and awarded a prize of $50 by the Missouri Bankers' Association.

In the payment of his obligations all of his resources must be employed.

The duties of a bank employee are multifarious and ceaseless; taken in detail they would compass the whole moral code as well as the principles and practice of banking and the science of bookkeeping. In the economy of time and space only such elements as are essential to his proper discharge of duty will be considered.

Fidelity.

Each clerk accepting service in a bank takes an oath, expressed or implied, to honestly, faithfully and impartially discharge his duties according to law, and to keep secret the proceedings of his institution. This, then, is a paramount obligation which binds him to support the honor and dignity of his bank, the confidential nature of the business enjoining him to keep his own counsel. The knowledge necessarily gained from the intimate relation between depositors and the bank must be sacredly kept. Upon this depends his future usefulness. As the Cashier is directly responsible to the board for the management of the office, so in turn an employee is accountable to him for his conduct; as he is an assistant to the Cashier, and in his intercourse with the customer he acts as his agent and representative. To maintain this relation in its greatest state of perfection, he must thoroughly establish himself in the Cashier's confidence, and show that every trust in him reposed, be it small or great, will be carefully guarded and rigidly executed.

Labor.

The bank expects him to work, and his salary is received as full compensation for all of his time. The willing performance of duty should not be mercenary though the service is measured by money. The fundamental principle of government is law and order, while the foundation of good banking is strict justice and the rigid performance of contract. He should proceed systematically, have a time for doing all things and do something all the time. Industry is an evidence of prosperity, it inspires confidence and invites capital.

Loyalty.

The sentiment of loyalty should be a sure and adequate guarantee for the ready and faithful discharge of all the obligations which are essential to the welfare of the bank. He is bound by integrity of purpose and reasonable diligence in the execution of all his duties.

Politeness.

Politeness is the circulating medium; it is the gold standard, not subject to discount or protest; passing at par in all branches of the

business, and, like small change, is in constant demand. A proper respect for the presence and feelings of others is a great aid to success.

Punctuality.

Punctuality is among the highest virtues of a business man; it is the result of training and conscience, the want of which shows a disregard for the time and property of others. If he has no regard for the former, there is no assurance that he will respect the latter. Prompt obedience commends him to all.

Reliability.

In the complicated business of a bank, where each man's work is necessarily linked to another man's task, reliability and accuracy are demanded and expected. He has no more right to be careless or indifferent than he has to be dishonest or untruthful.

There are also many other resources upon which he must draw to strengthen these liabilities, one of great importance being

Study.

The duty to study is co-equal with that of labor. It requires long and careful training to become familiar with the technical details of banking. He should study the disposition of men, the theory of banking, as well as the broader subjects of political economy and general finance. He should be acquainted with the laws governing endorsements, bills of exchange and promissory notes. The Cashier cannot be expected to scrutinize each piece of paper that comes into the bank; his representative, the clerk, should handle the business intelligently, guarding the bank against fraud, and protecting the customer against loss. Reasonable ambition is a laudable incentive to the discharge of duty, for the clerk of to-day may be the officer of to-morrow. He should be prepared for promotion whenever it is offered. An employee who does not profit by experience is losing golden opportunities.

His Duty to Employ Opportunity.

A clerk should increase in value in ratio to the length of his service. There is probably no business or profession where opportunity is more abundant and less appreciated than in a bank. The daily association with the masters of finance, men of experience, honor and talent, is a liberal education in itself. Precept and example invite emulation. Man's entire energy in business is devoted to the accumulation and distribution of wealth; concentration being the secret of success, while dissipation is a cause of failure. The cause which bankrupts men and nations is neglect of opportunity.

Value of Memory in His Daily Duties.

Memory is an important factor in the daily routine of a bank employee, and is useful in every department, more especially the teller's. He makes constant drafts upon this storehouse of knowledge for faces, signatures, balances and moneys, in safeguarding the bank against frauds, forgeries and counterfeits. There is no power more desirable nor aid so valuable. He should therefore train his memory with care that it may serve him with profit.

Responsibility.

Responsibility does not cease at the close of a day's business, but accompanies him home on the street and in society. The individual efforts of each one connected with the bank affect its general welfare, its character being as easily influenced as the employee's, and is reciprocal in effect. His conduct is subject to the same scrutiny as the officers', and he should let nothing in his daily life be at variance with an upright, manly deportment.

Routine Duties and Personal Habits.

The importance of keeping the officers informed of everything pertaining to the bank's welfare cannot be too strongly urged. It is for him to do, for them to interpret. The bank is the custodian of other people's property, and its records should be so carefully and completely made as to afford a correct statement of all accounts at a moment's notice, enabling the officers to determine at a glance the value of a depositor's business, for their guidance in making loans, granting renewals and allowing overdrafts. The work in each department should be so thorough, neat and explicit, that his absence would not retard the progress of business. Cleanliness is a cardinal virtue; dirt, blots and erasures being silent witnesses of his imperfections. Routine duties should not make him a machine for copying and adding, but he should be alert in attention, keen in perception, quick in execution, diligent in application, courteous and respectful in manner, gentle and considerate in voice, dignified in bearing, firm in decision, conscientious in all. He should speak distinctly, write plainly, figure correctly and dress neatly, having proper regard for his health.

Let him 'Live honestly, hurt no one and render to every one his due.'"

The Paying Teller.

One of the most important of the employees to be considered is the paying teller. This position requires a man of high abilities, in fact one well-nigh an expert in banking matters.

The paying teller should be a man of the most sterling character, strong, skillful and irreproachable. He should also be endowed with excellent judgment, quick perception, good address, patience and unwavering good nature. He should have earned his position through years of faithful service in the various departments of a bank, for to be a first-class paying teller requires long apprenticeship in banking, and no bank wants a *second*-class one.

The paying teller is the disbursing officer of the bank; he actually handles the cash, and should therefore be adept in the rapid counting of both bills and coin. He should be an exceedingly careful man in the paying out of money; many a serious loss has occurred by not following this rule.

In a bank were I was employed when a young man, the paying teller one day paid out ten one thousand dollar bills in place of ten one hundred dollar bills; of course we were nine thousand dollars short that night, and worked hard to find it; fortunately the money got into honest hands and was returned the next day.

The paying teller should be sure he is paying money to the presenter of the check; a little carelessness here has often been the cause of loss, for there are plenty of sharpers in our cities always on the watch to take advantage of every little oversight.

The question of identification is one with which the paying teller has to deal, and is often a troublesome question both to the bank and to the stranger who presents the check, yet it is a rule founded upon caution and justice. A depositor has the right to draw his checks upon the bank to order or to bearer, and the bank should respect that right and endeavor in every way to protect the interests of the depositor. Therefore when a stranger presents a check to the paying teller of a bank, that is drawn to the order of a person unknown to the bank, it is right that the teller receive satisfactory evidence that the one presenting and endorsing the check is the one mentioned in the body of the check before paying it.

Checks often come to a bank through the mail without endorsement or improperly endorsed; these the Cashier returns for proper endorsement. The checks coming from other banks or through the clearing-house each day must be examined by the paying teller, or by the individual bookkeeper, to learn if there are sufficient funds to the credit of the drawers with which to pay the checks, and if the signatures and endorsements are correct. If not they should be immediately returned to the banks from which they came, with the cause noted. The usual manner of noting the cause when there is not on deposit enough to pay the check is to mark on the back of the check with pencil the words, not sufficient funds, or not sufficient, and sometimes the last word is abbreviated to read "suff."

Another good term to use is, payment refused, without giving any reason. Whatever method is used it is better not to mark the check, but to use a printed slip giving the proper term, which should be pinned or gummed to the check. Before returning a check the Cashier should always be consulted.

The paying teller should keep himself posted as to the condition of depositors' accounts, and if in doubt before paying a check he should enquire of the individual ledger bookkeeper, and if necessary of the receiving teller or the collection clerk, or the Cashier, for instances often occur where a check is presented that would overdraw the account as shown by the individual ledger, but the depositor had made a deposit or obtained a loan, or an item had been collected which had not yet gone through the books, and it would therefore be an injustice to refuse his check.

The paying teller should make himself so familiar with the signatures of the bank's customers as to be able to detect readily any irregularity or forgery, and when anything of the kind is suspected the drawer of the check should be at once communicated with before paying the check. To aid him it is the custom to have a signature book in which every depositor is obliged to write his signature and address. The use of cards in place of the book is coming into use in some banks as being more convenient, but there is an element of danger in this in the comparative ease with which such signatures can be removed.

Many banks have a rule obliging all checks whether payable to order or to bearer to be endorsed. This is a safe rule and often of great assistance to the bank, although I doubt if they could legally enforce it as regards checks payable to bearer.

The paying teller is obliged to keep certain books or records, sometimes written up by his assistants; these are generally the balance book, or settlement book as sometimes called, a check scratcher upon which are entered the amounts of all checks, individual or otherwise, under their proper heads, that have been paid during the day, and in clearing-house cities he generally takes charge of the due-bill book where that system is used. A full description of these books, with diagrams, will be given in another chapter.

All checks which are paid through the paying teller's desk should be stamped paid, with the date of payment.

MERCHANTS' NATIONAL BANK,
Centre City,
PAID
December 13, 1902.

The date is often of very material consequence and will frequently save much trouble if used. The foregoing is a good form for such a stamp.

Another form of stamp being used in some of the larger banks perforates the check with the date and the word paid. This, however, is seldom done at the teller's desk, but at the close of the day, after the checks have been charged to the proper accounts, they are perforated by one of the clerks.

The chief objection to this last method is that the checks are not stamped at the time of payment, but at some later period and after they have passed out of the hands of the man who paid them, and have been handled by several individuals.

The paying teller should keep his active money (bills) so separated in his money drawer, by denominations, that they can be readily handled when needed, and his small coin should be kept part in trays and part in rolls or small bags, to be easily available. The value of the rolls is generally 25c. in pennies, $1 in nickels, $5 in dimes, $5 in quarters and $10 in halves. The value of each bag is generally $5 or $10.

It is a good plan for him to endeavor to have nice, clean money, and new silver and pennies, to pay over the counter; it always pleases the customers, and thereby benefits the bank.

Torn and soiled bills will find their way into the bank; these should always be put in a package by themselves, and when $1,000 or more (in multiples of $1,000) have accumulated, they should be sent to the Treasurer of the United States, or presented to a Sub-Treasurer, for redemption. The bank will receive for these new United States currency. New currency or coin can also be obtained by sending other than mutilated currency to the officer noted above.

Notes of the issue of a National bank find their way into the hands of the United States Treasurer for redemption.

When $500 or more of these have accumulated in his hands he will notify the bank, and it must then send him a draft on New York, or currency for the amount, for which he will send new unsigned notes of the bank for any that may be mutilated or soiled, and the balance in the clean and little used notes of the bank's issue. In this way a bank can have clean money usually on hand.

In the smaller towns one teller generally performs the duties of both payer and receiver, but in larger towns separate tellers will be found necessary, and in some of our large cities three tellers, and sometimes four, are needed to take charge of the voluminous business.

The Receiving Teller.

The receiving teller is the next employee in importance in the bank. He is, as his name implies, the one who receives the money. This money (or checks which represent money) may come from various sources—from depositors, from other banks, from collections, except where there is a note or collection teller for this purpose, and from the payment of loans, except where there is a note teller for this purpose, and by mail. Of these he must keep a record under their respective heads, his assistants, in many banks, doing much of this work.

The receiving teller is in reality the first assistant to the paying teller.

His position is one requiring accuracy, care, patience and courtesy, since much of the good-will of the bank may depend upon his manner of treating people.

He should be a man of high ability, and of the highest standing as to integrity. He should be a good judge of counterfeit money, as all kinds of money, some in very bad condition, come into his hands.

In receiving deposits he should carefully prove each deposit ticket presented with the currency, or checks received, and verify the footing, and in entering the deposit in the depositor's pass book it is advisable that the receiving teller write his initial on both the pass book and the deposit ticket for future identification. I have seen cases where such a practice was of great advantage.

In receiving deposits the currency should be assorted according to denominations and placed in the proper tills in the money drawer, ready to be recounted and put up in packages, and the checks placed in proper compartments, according as they are on other banks in the same town, on out-of-town banks, or on the teller's own bank, and from there, after a proper record of them is made on the receiving teller's settlement book, they are taken to the clearing-house desk, the foreign desk, or the individual desk.

When money is received in payment of collections or of loans the amount so received should be entered under their respective heads and numbers on the settlement book. The amounts received from deposits are entered from the deposit slips on the deposit scratcher.

If a stranger or a new customer desires to make a first deposit in the bank he should be referred to the Cashier, who will, if satisfactory, receive his deposit and take his signature in the signature book, or on the indexed card, and will then introduce him to the receiving teller. This care is important, as a bank should be particular as to the character of its depositors. Many a sharper has opened an

account with a bank with the intention of fleecing it at his first opportunity.

At the close of the day the receiving teller should prove his cash and turn over his currency, together with a statement, to the paying teller, taking a receipt for it.

Customers frequently come to the receiving teller to have deposits entered in their pass books that had been made at some previous date, when they had not their pass book with them. In doing this it is safest to make such entries from the deposit tickets, or from triplicate tickets, a method in use by some banks, and fully described in another chapter under the head of "Balancing Pass Books." I have known claims to be made for erroneous credits on the pass book which the bank has had to lose, as the pass book is considered a receipt by the bank for the money deposited.

The receiving teller's desk should be well supplied with racks for stacking the currency when counted in the proper amounts for strapping, and with trays for loose coin, also with the necessary bags and wrappers and straps.

The chief books which the receiving teller keeps are the deposit scratcher, and the receiving teller's settlement book, a full account of which, with diagrams, will be given in another chapter.

General Ledger Bookkeeper.

The general ledger bookkeeper is the next employee to be considered. With many it is a question whether this employee does not stand on an equal footing with the paying teller. While he may not be as skillful in the handling of money as the paying teller, yet he should be "par excellence" in the handling of all bank accounts. As with the others mentioned, his character must be above reproach. He should be a good clear penman, quick and correct at figures, very careful, and have a thorough acquaintance with the various other desks in the bank.

All the business of the bank throughout its various channels comes by aggregates into the general ledger, so it can be seen that this is one of the most important desks in the bank.

The general bookkeeper must keep the accounts with the capital stock, all the profit accounts, and expense accounts. He must also keep the accounts with the reserve agents, with the United States Treasurer and with the correspondent banks.

He must be able to furnish the officers of the bank a daily or weekly statement of the condition of the bank, giving its assets and liabilities. He should at the close of each month make out an account current for each bank that keeps an account with his bank, except such banks as settle their account weekly, or at specified

periods, and should receive and reconcile all accounts current which are received by his bank from other correspondent banks.

In some banks he fills up the reports of condition that are sent five times a year to the Comptroller of the Currency, and when the bank examiner comes it is from this desk that the foundation for his examination is obtained.

The principal books kept by the general bookkeeper are the general ledger, the general journal (or cash book), the foreign scratcher and statement book. In many large banks there are subdivisions of some of these books, and a number of assistants employed, consequent upon the voluminous business, but those mentioned will cover most cases. A full description of the books with diagrams will be given in a later chapter.

The Individual Ledger Bookkeeper.

Next in order comes the individual ledger bookkeeper. In many banks there are more than one, the ledgers being necessarily subdivided in consequence of the number of accounts, from 300 to 500 accounts being generally considered as many as one man can take care of.

High character being the first consideration, the other chief points to be considered in the selection of an individual ledger bookkeeper are rapidity, accuracy, care, and good clear penmanship. He should also be endowed with much patience and courtesy, for it is generally his lot to meet many of the depositors and to answer numerous questions regarding their accounts. One important thing an individual ledger bookkeeper should always observe, and that is never to mention anything regarding a depositor's account outside the bank, or to any one but the depositor or his representative, except to those connected with the bank who have the right to know. The Cashier has the right to know everything connected with the depositors' accounts, and any irregularity appearing therein should be at once communicated to him. If any account should become overdrawn the Cashier should at once be informed, and unless instructed otherwise, the bookkeeper should send a notice at once to the depositor.

The pass books of the depositors should be balanced, or statements rendered, once a month if possible.

It is a good plan to send out notices for pass books that have not been obtained, every three months; it helps to correct any errors that may creep into the accounts.

Wherever possible it is best to have the pass books written up and proved by some one other than the bookkeeper.

The position of individual ledger bookkeeper is no sinecure, for

care of the depositors' accounts probably has more detail connected with it than any other department in the bank, and detail that should be carried through the books complete daily.

The necessary books used in this department vary much according to the system adopted, and will be treated of in full with diagrams in later chapters.

The Discount Clerk.

The discount clerk, the next to be considered, is one of the most important employees in the bank. Part of the business of a bank is to loan money, and from this is derived the chief source of its income, and the care of the records of these loans falls to the discount clerk.

He should be a man above reproach as to character, and skillful, accurate and rapid in his work. Coming frequently in contact with the customers, he should exercise judgment, extreme courtesy, tact and great promptness. The confidential nature of his duties is such that he should always avoid mentioning anything regarding them outside the bank or to any one but those entitled to know.

In small banks the Cashier sometimes takes charge of the discount department, but wherever it is possible it is decidedly advisable to have these records kept by a clerk.

The discount clerk should be adept in figuring time and interest, for although there are excellent interest tables in use in almost every bank, yet the ability to figure it quickly without the trouble of turning to the tables is a qualification that should not be overlooked.

He has much to do with both tellers, as the proceeds of some discounts are paid in cash to the borrower upon a Cashier's check and some are placed to the credit of the borrower's account in the bank. Of course the Cashier's check is only issued by the Cashier, but generally the discount clerk has to figure out the proceeds.

At least once a month the discount clerk should balance his notes, both time and demand. He should check them off with his discount register and tickler, and take the aggregate of all on hand, which should agree with his notes discounted account and demand loan account on the general ledger.

Some discount registers are so made that it is a very simple and easy matter to prove the notes at any time. A full description of this kind will be given in the chapter on books and records. The customary books for the discount desk are the discount register, the note tickler, the offering book and the discount ledger or liability ledger, a full description of which, with diagrams, will be given in later chapters. The notes, after being entered properly in the discount register, should be filed away in a large pocket-book, accord-

ing to maturity date. Some banks have two pocket-books, one divided monthly and the other daily, which is found very convenient where much paper is handled.

Collection Clerk and Messenger.

The collection clerk and messenger are the next important employees to be considered. The collection clerk takes charge of the various drafts, bills of exchange and notes placed in the bank for collection. These sometimes come from the bank's customers and sometimes from other banks out of town.

The care necessary for the proper handling of the various classes of collection paper requires a man of excellent capacity, with a clear head, good judgment, pleasing manners and much tact. He should also be a good clear penman, and last, but not least, he should be a man of the highest character.

The collection clerk should familiarize himself with the laws and customs regarding notes and bills of exchange, and should study the books devoted to this subject and read regularly the best banking journals.

Collections coming into his hands from depositors of the bank should be entered (short) in memorandum on the deposit side in their pass books. This is the bank's receipt for the collection paper. When any of the items have been collected they should be then extended in the credit or deposit column in the pass books. Some depositors, who send many collections through the bank, have a special pass book for that purpose.

Collections are divided into two classes—domestic, or those upon persons in the city in which the bank is located, and foreign, or those upon persons in other towns.

In most banks the records of these two classes are kept in the same books, but in some, especially in cities where the business is heavy, it is necessary to separate them.

The principal books in use in this department are the collection register, the collection tickler, the foreign collection book, and the foreign credit book. A full description of these, with diagrams, will be given in later chapters.

The collections referred to are those that belong purely to this department, such as notes and drafts and bills of exchange placed in the hands of the bank to collect.

Another class of collections, called cash collections or cash items, consisting chiefly of checks on various banks, generally pass through the general ledger desk, and will be treated in the chapter on that department.

The Messenger.

The messenger is so intimately connected with the collection clerk that they must be considered together. He should be above reproach, and should have the qualifications of accuracy, promptness, carefulness, courtesy and ability, and should be well posted in banking rules regarding collections, for many questions often arise when presenting paper for collection, and he should know how to act to protect the interests of the bank. To a young man desirous of becoming familiar with the banking business the position of messenger offers especially fine opportunities. He meets the people daily, and has the opportunity of making many friends by the proper exhibition of tact, a qualification extremely necessary for a successful banker.

The messenger's duties are to take out collections (drafts, notes, and bills of exchange), and present them to the persons who are to pay or accept them. Many times these persons are difficult to find, or are careless about preparing for payment, in which cases it is customary to leave a notice.

The messenger should make every effort to find the proper party and make presentation personally, and obtain direct answers if payment or acceptance is refused; in fact, it is a good plan to have them state their reasons for refusing in their own handwriting, in pencil, on the back of the paper, if possible. Of course in the case of sight or demand paper settlement must be made on the day presented, before the close of banking hours.

It is never advisable to leave the draft or paper at the drawee's office, in case of his absence. Some banks have a strict rule regarding this, and they are wise. In such cases leave the notice but not the paper.

The following is a usual form of notice mentioned:

MERCHANTS' NATIONAL BANK,
CENTRE CITY,

————————, 190

Please call and ——— draft or note for $ ——— before 3 P. M. to-day.

————————— ————————, *Messenger.*

The blank space before the word draft is to be filled in with the word pay or accept as the case may require, and either the word draft or note may be scratched off, leaving the other as the paper intended to be mentioned.

The only book which the messenger keeps is the scratcher in which are listed the items which he takes out. This is simply a plain journal ruled book of which no special description is necessary, but the

leaving of this list in the bank before going out is a very important thing and never should be neglected.

In a bank in a large city, not long ago, the messenger went out to make collections with about $3,000 worth of paper. A considerable portion he collected in currency and never returned. That bank had great difficulty in determining what he took out, because he left no list behind.

In small towns, and in small banks, sometimes the janitor acts as messenger, but it is generally better, I think, to have one of the clerks perform these duties. In the large cities many banks have several messengers.

In clearing-house cities it is customary for the banks to have a clearing-house clerk, sometimes called the settling clerk. This is often one of the first positions a young man is given, and to be able to fill it satisfactorily he must, as with others, first of all be a man of high character, and must possess the qualifications of promptness, rapidity in figuring, care, and neatness.

It is his duty, in large banks with assistants, to collect each day the checks on other clearing-house banks in the same city that come into the bank, stamp them with the bank number, distribute them in tills according to their respective banks, list them on properly prepared slips, enter the total of these slips on a properly prepared sheet opposite their respective bank numbers and names, and take them to the clearing-house and make the proper exchanges with the clearing-house clerks from the other banks. He generally takes a messenger with him for safety and to assist him. It is generally one of the duties of the messenger, or general assistant, to collect the letters after the close of the bank and take the press copies.

The plan of taking a letter-press copy of all correspondence is often neglected in banks, and yet it is exceedingly important. Many times a lawsuit has come to naught because of the inability to prove certain matters in the correspondence, and questions and misunderstandings often arise which could easily have been settled had a press copy of the correspondence been taken.

In some very well-managed banks it is an excellent custom to use carbon paper between the writing paper when writing all kinds of the usual correspondence, letters of transmittal of items for collection or for credit, letters enclosing remittances, etc. In these cases the letter sheets are made of moderately thin linen paper and are double fold, perforated at the fold, the blank forms being printed on each sheet, so that when the carbon paper is placed between the folds and the letter written with a pen, not too fine pointed and a little stiff, a complete reproduction of the letter is made upon the second sheet. The original is filed and the copy sent with the inclosures.

Besides the employees mentioned, large banks in particular employ many assistants, such as check clerks, general clerks, stenographers and typewriters. The same general qualifications should be considered in these cases as of those before mentioned, and of course the special qualifications necessary to fit them for the duties of their respective positions.

CHAPTER III.

BOOKS AND RECORDS OF THE BANK.

In no other line of business is it so necessary to have the daily transactions carefully and completely recorded as in a bank, and very naturally so, for the bank is the custodian of the property of other people. In consequence of the competition between banks, especially in our large cities, it becomes extremely necessary to be able to determine readily the value of the individual accounts and of the foreign bank accounts, particularly those which ask for or expect accommodations. The competition mentioned is exerted in two ways—one to attract depositors and the other to attract borrowers.

Banks cannot be expected to operate without profit any more than other kinds of business, and to be able to judge readily of the sources of profits or losses requires a careful system of accounts.

The officers of a bank should be able to learn daily the amount and character of their assets and liabilities; the condition of any depositor's accounts; the character and amount of their loans; the amount of matured paper; the amount of their indebtedness to other banks or other banks to them; and to keep close track of their running expenses, and of their profit items. They should also be able to see at a glance the amount and character of the currency on hand, and in case of a National bank the amount on deposit with the reserve agent or agents, and be thereby enabled to judge of the condition of the bank's reserve which it is obliged by law to keep.

It is often necessary to know readily the amount of unmatured loans to any one individual or company that are on hand, also the amount of liability to the bank of individuals as endorsers. It is also necessary to keep track of the items sent away for collection, also of the various forms of indebtedness represented by certificates of stock, certificates of deposit, Cashier's checks, clearing-house due bills, etc., and to do all this properly requires a carefully-prepared system of accounts. Whatever the system is it should be so complete that the work in each department can be closed every day, after business hours, and a statement of the bank's condition furnished the officers.

As regards the care in making the records, I would advise that they be made so clear and self-explanatory that in case sudden death

should overtake any of the officers or employees no difficulty would be encountered.

Many banks make a mistake in permitting too much abbreviation in writing up the records. It sometimes enables the clerks to leave the bank a little earlier in the day, but something more than this should be considered, for this habit is often the beginning of loose and careless methods, which have no place in a bank.

The methods to be employed in keeping the records of a bank will vary according to the locality and the volume of business transacted, but whatever they are they should never be complicated.

Those for a country bank can of course be very much more simple than those in a large city bank, and in the description of the books, blanks and methods I shall endeavor to give such forms as may be found most generally useful.

Before treating of the question of forms one very important point should be observed, and that is neatness and cleanliness in the work. Few things look worse in a bank and reflect upon the management more than dirty, blotted, scratched-up books and records.

The books of record of a bank may vary to a certain degree according to circumstances, but there are certain books and methods which are applicable to most banks. The principal books are the minute book, stock certificate book, stock register and transfer book, stock ledger, general cash book or journal, general ledger, daily statement book, certificate of deposit register, draft register, Cashier's check register, individual or deposit ledger, check and deposit scratchers, discount register, discount ledger (sometimes called credit ledger, or liability ledger), offering book, note tickler, collection register, collection tickler, tellers' cash settlement books, proof book, dividend book and pay roll.

It is always best to have the books for a bank made to order. Select a reliable maker, one accustomed to making bank books, and have them made of good paper and well and heavily bound, particularly the ledgers. It is a good plan to have the books made several weeks, or even months, before needed for use, and place them under some weights to season; they will then wear better. Where ledgers are used of other systems than the "Boston," or those similar to it, it is particularly important to have them on hand some time before needed, that they may be properly spaced off alphabetically, and according to the vowels, and all preparations made for the transferring of accounts when the proper time arrives.

Various Time and Labor-Saving Devices.

Besides the necessary books and blanks for properly caring for the business of a bank, great assistance has been derived from cer-

tain mechanical labor-saving contrivances, among which I will mention the typewriter, the registering accountant or adding machine, and the telephone. The typewriter has been so long in use that a description of it is hardly necessary. It has come to be almost as necessary an adjunct to a well-managed bank, in its great assistance in the correspondence, as the telephone, and except in small towns, every bank has a telephone. In fact, in many small towns the banks have telephonic connection so that by the long-distance call they can talk with banks at considerable distance, and often save both time and trouble.

The registering accountant, or adding machine, is of comparatively more recent introduction, but I think I can safely say it has proved itself one of the most useful instruments ever introduced to the banks. In the saving of time and labor it has become almost indispensable, especially in a busy bank.

The chief uses for this machine have been found to be in recording and adding of checks on slips in the balancing of pass books; recording of checks on slips, or on the envelopes for the clearing-house exchanges, taking off trial balances, especially of the individual ledger; taking off lists of the discounted paper for an examining committee; making lists of teller's cash items; listing the checks received from the clearing-house; recording the amounts on the letters of items to be sent through the mail, etc. One of the chief aids, as stated before, being that in every instance when the column is completed the machine can be made to record the correct footing instantly. The machine will also duplicate by making carbon copies, which is sometimes desirable.

In taking off proof balances of individual ledgers, covering several thousand accounts, I have generally taken the items off on sheets, six columns to a sheet, then making a summary of the footings of each column, the machine making all the additions correctly.

The Minute Book.

In the natural course of events this is the first book that would be considered. Before the completion of the organization, stockholders' meetings have to be held to consider many questions, a complete record of which should be kept by the secretary of the meetings, and these should be transcribed upon the minute book, and signed by the chairman and approved by the secretary.

After the organization of the bank, stockholders' meetings are held at least once a year, oftener, if called for. Their proceedings should also be completely transcribed on the minute book. All the action relating to the constitution and by-laws, and a complete transcribing of the same, should also appear upon the minute book.

Also all action of the board of directors regarding any business of the bank, the loans, the disposition of any property, the making or authorizing of any contract, the election of any of the officers, or the engagement of any of the employees, with the amount of salary to be paid them, and the amount of bonds to be given, should be stated on the minutes. It will thus be seen that the minute book is one of the most important books in the bank. In fact, it may almost be called the foundation stone, and the necessity for exercising great care in the writing of its records is in reality a legal obligation.

A bank is a corporation or stock company. Its shareholders all have a voice in its affairs. They are the ones who decide who shall manage it, that is, who shall be the directors, for the directors are in reality the managers. The responsibility therefore devolves upon the directors, who are the agents of the stockholders, and upon the appointees of these directors. It is a human frailty to forget, and even if it was not, the action of either the majority of the stockholders, or of the directors, could hardly be held binding, legally, unless properly recorded and signed by the proper officers. So that the minute book becomes the record of the will of the stockholders and directors of the bank.

In large banks two minute books are sometimes kept, one for stockholders' meetings, and the other for the directors' meetings, but in the majority of banks one minute book will suffice. No special form of book is used, simply a plain record book such as is usually carried in stock by all blank book manufacturers.

In all stockholders' meetings where an election of directors is held, a chairman, a secretary, and two tellers are appointed. The tellers should be sworn in by a notary that their action may be legal. The ballot having been taken and counted, the tellers attest the count and note the number of shares voted and for whom. All this should be entered in full in the minutes, also the result.

At the directors' meetings for the annual election of officers, a chairman and secretary are appointed, and when the President, Vice-President, and Cashier are elected the President takes the chair, if present, and the Cashier takes the secretary's place.

The minutes of the directors' meetings are kept by the Cashier, and it is often customary for these to be taken originally upon blank paper and then copied in the minute book at some convenient time. Notes are taken in a similar way of the stockholders' meetings.

Sometimes the Cashier secures the services of some one of the clerks who is a neat penman to transcribe the minutes from the memoranda to the minute book. Wherever this is done it will be found a wise plan to retain the original memoranda, filing them away in large envelopes properly endorsed with the date of the meeting.

I mention this because I have seen, in more than one instance, the minute book of a bank, written up in this way, refused admission in court as evidence of certain transactions that were necessary to be shown, because they were not the original entries, nor in the handwriting of the Cashier, or of any one who was present at the meeting, and the original memoranda had been destroyed.

At directors' meetings in which paper for discount is presented, it is advisable that a description of each note presented (by name of discounter and amount) be noted in the minutes. I know this is not often done, and some claim it would be too much work, but in banks where much paper is handled this can be easily overcome by having the paper entered in the offering book (a description of which will be given later on), and as the paper is passed upon by the board, having it properly checked off the book, the record as shown on the offering book then being signed by the members of the board present. This course has often saved much trouble, besides placing the responsibility for the loans upon the directors present. In the minute book the record should show the aggregate amount of loans passed by the board, "as shown by the offering book."

In small banks the loans passed by the board can easily be recorded in detail in the minute book.

The names of the members of the board present at each meeting should always be noted in the minutes, also the names of those presenting any motions.

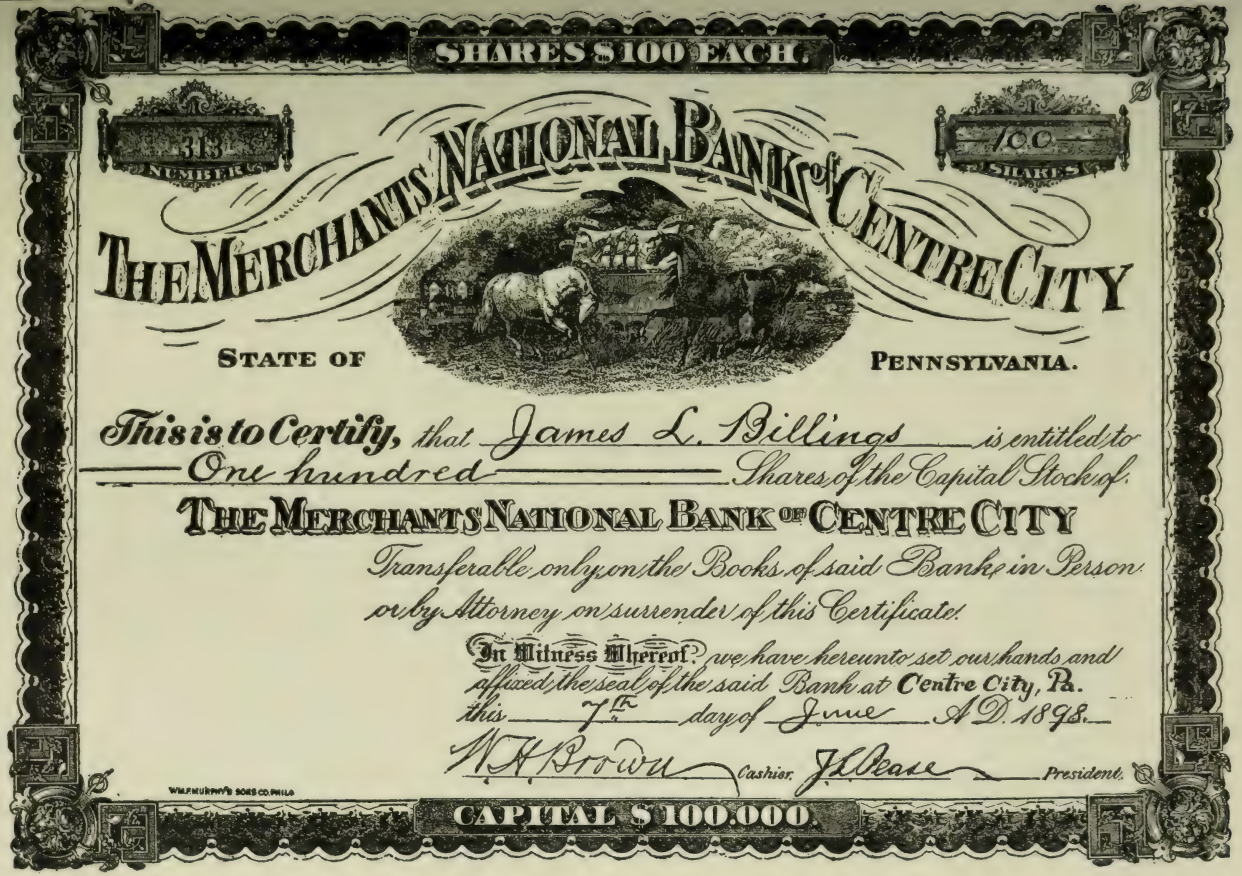
The report of the examining committee upon the examination of the bank's affairs should be written in full upon separate sheets of paper, writing on only one side, be signed by each member of the committee, and be pasted in the minute book under its proper date, as an original document, and should be accompanied by the action of the board upon the matter.

Stock Certificate Book.

After the subscriptions to the stock have been received, the subscribers are expected to pay for their stock in installments, as has been shown in a previous chapter on "Organization."

Receipts should be given each subscriber for their various payments, these receipts to be returned to the bank after the final payment, and upon the issuing of the stock certificates. But on no account should any certificate of stock be issued until the shareholder has fully paid for the shares to which he had subscribed.

The certificates of stock should always be bound in book form, one on a page. They should be numbered consecutively by the manufacturer, as should also the stubs, which should be made to contain a very complete record.


SHARES $100 EACH.

313
NUMBER

100
SHARES

THE MERCHANTS NATIONAL BANK of CENTRE CITY

STATE OF PENNSYLVANIA.

This is to Certify, that James L. Billings is entitled to One hundred Shares of the Capital Stock of

THE MERCHANTS NATIONAL BANK OF CENTRE CITY

Transferable only on the Books of said Bank, in Person or by Attorney on surrender of this Certificate.

In Witness Whereof, we have hereunto set our hands and affixed the seal of the said Bank at Centre City, Pa. this 7th day of June A.D. 1898.

W. H. Brown Cashier. J. L. Bease President.

WM. F. MURPHY'S SONS CO. PHILA.

CAPITAL $100.000.

FIG. 2.—FORM OF STOCK CERTIFICATE.

I have seen cases where the certificates were loose. This is a careless and unsafe practice, and has been a temptation to over-issue stock.

It is extremely necessary that a very careful record be kept of the issue of certificates of stock; and as many transfers of stock will take place, it becomes also necessary that a careful record be kept of them.

A good form for a certificate of stock is shown by Fig. 2.

A form of power of attorney or assignment for the sale or transfer of the stock should be printed on the back of the certificate as follows:

KNOW ALL MEN BY THESE PRESENTS, That ——— the undersigned, for value received, do hereby irrevocably constitute and appoint ——— to be ——— true and lawful attorney for ——— and in ——— name ——— and behalf to sell, assign and transfer unto ——— or any other person or persons ——— shares in the capital stock of

THE MERCHANTS' NATIONAL BANK OF CENTRE CITY, PA.

And further, one or more persons under ——— to substitute with like power.
IN WITNESS WHEREOF, ——— have hereunto set ——— hand ——— and seal this ——— day of ——— 190—.

Witness present,

_____ _____

[Seal.] _____ _____

The first record in the issuing of a certificate is made upon the stub of the certificate book. This stub should be roomy and should contain spaces for the number (as mentioned above), next the number of shares, then the date of issue, and last the name of the shareholder. These should occupy the upper one-third of the stub, next below should be a space upon which the shareholder should receipt for his certificate. If he lives at a distance and the certificate has to be sent to him, a receipt should be enclosed for signature, together with a stamped and directed envelope for returning the receipt, and this receipt should be pasted into the space provided.

When a stockholder disposes of his stock or any portion of it, such transfers to be legal should be made upon the books of the bank, as is stated in the form for the face of the certificate, and he should sign his name to the assignment on the back, opposite the "seal" and have some one sign as a witness to his signature under the words "Witness present."

When the transfer of the stock is on account of its being used as security for a loan, it can either be endorsed in blank on the back as mentioned or a blank form of assignment or transfer may be filled out and attached to it.

Any actual transfers of ownership of the stock should be noted on the stub, the last one-third of the stub being generally used for that purpose.

A form for a stub of a certificate of stock book which is used by some of the best banks is shown in Fig. 3.

In filling out a certificate of stock the name of the shareholder should be written very plainly, and it is best to write the Christian name in full, as many instances have occurred of men, and women, too, having the same name with the same initials. The amount of the shares in the body of the certificate should be written out in full.

After the certificate is filled out, and signed by the President and the Cashier, the last act and the one which gives it its legal value is the affixing the seal of the bank. This is usually placed in the blank space left for it in the lower left-hand corner.

The record on the stub should be a counterpart of that made on the certificate.

Certificate
No. 313
One hundred Shares
June 7th A.D. 1878
Issued to
James L. Billings
Received the above Certificate
Jas. L. Billings
Surrendered A.D. 18
Reissued to
No.
Shares
A.D. 18

FIG. 3.—STUB OF STOCK CERTIFICATE.

In the issuing of certificates they should be made out in the name of the *bona-fide* subscriber or owner. Some banks have the certificates filled out in the name of some officer of the bank, he then transferring them to a genuine stockholder. This, however, is an unsafe plan, as I have had occasion to know, and has opened the way for irregular and fraudulent transactions.

Every stub and each certificate in the certificate book should be fully accounted for. If a certificate accidentally becomes mutilated or blotted, or filled out erroneously, it should be left in its place in the certificate book, being marked void, with the reason, and the next stub and certificate in order to be used in its place, without however changing the number.

When the certificates are regularly canceled they should always be neatly attached to their stubs, so that both stub and certificate can be read and compared at any time.

The issue of certificates being complete, and the records on the stubs of the certificate book having been made full and clear, the next thing to be considered is the proper records to be kept regarding the stock, not only as regards the issue but also relating to the transfers of ownership, which in some banks are numerous. They will

Stock Register and Transfer Book No. 1.

Issues				Transfers							
Date	Cert. No.	Shares	Names	Date	Former No.	New No.	Shares	New No.	Shares	New No.	Shares
1897											
Jany 2	1	200	Jas L Peace	1895							
"	2	150	L. B. Brown	June 5		9	50	10	25	11	75
"	3	100	Jas. L. Billings								
"	4	100	W. L. Simpson								
"	5	150	J. H. Smith	Sept 11		14	50	15	100		
"	6	150	S. P. Jones	Aug 9.		12	50	13	100		
"	7	100	A. B. Wilson								
"	8	50	W. H. Brown								
June 5	9	50	E. J. Brooks		2						
"	10	25	Jas. Peebles		2						
"	11	75	L. B. Brown		2						
Aug 9	12	50	S. B. Brewer		6						
"	13	100	S. P. Jones		6						
Sept 11	14	50	Joseph Sampson		5						
"	15	100	J. H. Smith		5						
		1450					150		225		75

FIG. 4.

occur in all banks to a greater or less degree, and unless the records are kept in a clear and systematic manner confusion will be sure to take place.

In many banks that I have seen, even where the running work was systematically performed, the capital stock records were badly confused, the idea seeming to be that once the certificates are issued the records cease there, often taking no account of the transfers, the record of which is fully as important as of the issues.

The next book to consider is the stock register and transfer book. This is in reality two books combined. Some small banks may consider this book unnecessary, but my experience leads me to advise it as a book of ready reference, and if kept carefully will be found very satisfactory.

The form for such a book most commonly used is shown in Fig. 4. The left-hand side is used for the record of the issues of stock,

the items being obtained from the stubs of the certificate book, and the right-hand columns are used for recording the transfers.

The diagram shows the issue of the original stock January 2, 1895, 1,000 shares. During the period between January 2 and September 11 there were issued 450 more shares, and the transfers show the canceling and transferring of 450 shares, which of course leaves the original 1,000 shares. In explanation of this diagram one instance will suffice. L. B. Brown, who as an original stockholder held certificate No. 2 for 150 shares, disposes of fifty shares to E. J. Brooks, who receives certificate No. 9, and twenty-five shares to James Peebles, as shown by certificate No. 10; this leaves Mr. Brown with only seventy-five shares, and the old certificate for 150 shares

Stock Register and Transfer Book No 2.

Issues			Name's	Transfers			
Date	Cert. No.	Shares		Date	Former No.	New Nos and Certificates	Total Transfers
1895							
Jany 2	1	200	Jas. L. Peables				
"	2	150	L. B. Brown	1895 June 5		9/50 10/25 11/75	150
"	3	100	Jas. L. Billings				
"	4	100	W. L. Simpson				
"	5	150	J. H. Smith	Sept 11		14/50 15/100	150
"	6	150	S. P. Jones	Aug 9		12/50 13/100	150
"	7	100	A. B. Wilson				
"	8	50	W. H. Brewer				
June 5	9	50	E. J. Brooks		2		
"	10	25	Jas. Peebles		2		
"	11	75	L. B. Brown		2		
Aug 9	12	50	S. B. Brewer		6		
"	13	100	S. P. Jones		6		
Sept 11	14	50	Joseph Sampson		5		
"	15	100	J. H. Smith		5		450
		1450					

FIG. 5.

being canceled a new certificate for his seventy-five shares, No. 11, is issued to him.

Another very good form, one much in use, is seen in Fig. 5. This form, originally used and introduced by the author as economizing space, is used by placing the records of the transfers in the form of what appears to be fractions, the number above the line representing the new certificate number and the number below the line representing the number of shares transferred. Thus what appears to be a fraction $\frac{9}{50}$ in reality states that fifty shares of L. B. Brown's

stock have been transferred and issued as new certificate No. 9. The total of the transfers being extended in the extreme right-hand column simplifies the determining of the grand total, and thus keeping track of the stock.

From either of these forms a list of the existing stockholders can be very readily made by simply taking the names, and the amount of stock standing opposite them, of those against whom no transfers appear, and the total should agree with the actual stock outstanding as shown by the capital stock account on the general ledger. This can be verified by the certificate book, as all canceled certificates having been pasted to their original stubs, the stubs to which no certificates are attached represent the outstanding stock.

While upon the question of transfers some suggestions may not be amiss. A transfer naturally refers to a change of ownership for the whole or a part of the original stock. In either case the original or old certificate should always be canceled, and if the whole be disposed of to a new owner a new certificate should be issued for the whole amount. If only a portion of the stock be disposed of then a new certificate should be issued to the new shareholder for his portion, and a new one issued to the old stockholder for the balance held by him.

I mention this particularly because I have seen transfers made by simply noting the same upon the back of the old certificate, where a fractional part has been disposed of, and simply a new certificate issued to the new stockholder for his portion of the old certificate. Such methods as this are exceedingly irregular, and will surely bring trouble.

In canceling the old certificates they should be stamped across the face or marked with red ink, in large letters, canceled, giving the date, and the signatures of both officials should be mutilated, so if by any accident a once canceled certificate should be removed it could not be used. A good method of mutilating the signatures is to cut a triangular piece out of the bottom of the certificate thus Λ, so that the point of the angle will extend through the name, thus mutilating or destroying one or two letters.

Many banks, recognizing the fact that transfers to be legal must be made upon the books, use a blank form for transfer or assignment similar to Fig. 6.

These are generally bound in a book, two on a page, and although appearing to have a stub they are not intended to be detached, the stub simply completing the record, from which the items can be posted to the stock register and to the stock ledger. The bank Cashier, or proper officer, fills up one of the blank transfers, the person making the transfer signs it, and the signature is witnessed; this

makes the transaction legal and binding. In small banks where the transfers are few, the mere endorsement of the transfer or assignment that is usually printed upon the back of the certificate of stock is sufficient; in fact, this will at any time constitute a legal assignment if the signature is witnessed, but the records are more complete and full where the transfer book is used.

No transfers should ever be made except upon presentation of the old certificate. If the old certificate should unfortunately be lost or

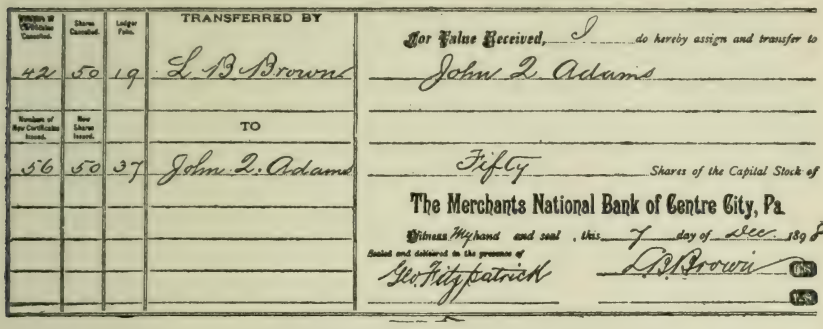

TRANSFERRED BY
42 50 19 L B Brown
TO
56 50 37 John 2. Adams
For Value Received, I do hereby assign and transfer to
John 2 Adams
Fifty Shares of the Capital Stock of
The Merchants National Bank of Centre City, Pa.
Witness My hand and seal this 7 day of Dec 189
Sealed and delivered in the presence of
Geo Fitzpatrick
L B Brown
L.S.
L.S.

FIG. 6.—STOCK TRANSFER BOOK.

destroyed, the stockholder should give a bond of indemnity to the bank for double the amount of the stock so lost before a duplicate is issued. In so issuing a duplicate the stub of the new certificate should state clearly the circumstances.

When a certificate is presented to the bank for cancellation and transfer, unless the person presenting it is well known, or is identified, it is safe for the officers to refuse until the rule is complied with. A certificate may come into a person's hands accidentally or wrongfully, and in either case he would have no right to have it transferred and a new certificate issued to him.

It is well also to carefully examine the endorsements to the transfers on the back of the certificates when not presented by the original owner, to avoid forgery; and when transfers are made through a power of attorney great care should also be exercised here to avoid forgery.

When transfers are made by a trustee or executor he should be obliged to present a certified copy of his appointment, as his authority for acting in that capacity, and this should be kept on file in the bank.

Certificates of stock made out to a trustee or executor should always state for whom, or for whose estate the party acts, thus, "Geo. L. Parsons, trustee for Jas. B. Lee," or "B. F. Brown, executor for estate of P. H. Malone."

No signature of a trustee or executor should be considered valid unless stating for whom acting.

It sometimes occurs that a single woman, a stockholder, desires to make a transfer after she has become a wife. Her name having been legally changed she cannot use her maiden name in making the transfer, or signing the assignment, except in connection with her married name, and both names should appear, thus "Mrs. Eliza Smith Romain, formerly Miss Eliza Smith."

Executors or administrators of estates sometimes hold among their assets shares of bank stock that were made out in the name of the deceased person, and finding no difficulty in collecting the dividends they carelessly or thoughtlessly neglect to have the stock properly transferred to themselves as executors or administrators. Very troublesome complications have sometimes arisen where this condition existed, in consequence, for instance, of the death of the executor or administrator, or serious change in the conditions in the bank. It is a safe plan therefore for the officers of a bank to watch these things, and to endeavor to have all transfers in cases of this kind promptly made.

Where a transfer is requested by the officer of another corporation who is not personally known to the bank, and especially if it comes through another person holding a power of attorney, it is safe to first obtain from the corporation a copy of the vote or resolution of the board of directors of such corporation, authorizing the transfer, with the seal of the corporation attached.

Form of Stock Ledger, with Description.

The stock ledger, in which should be recorded the ledger account with every stockholder, should be kept with the greatest care, the postings in it only being made from actual transactions as shown by the certificate book and transfer book. Too frequently I have seen it used so carelessly as to make its records useless, arbitrary entries being made in it, apparently from the memory of some officer, a very unreliable source, and frequently the issues of all stock are found posted, but the transfers ignored.

This ledger should be kept in such a way, and all the transactions posted up so promptly, that a list of the stockholders and the balance standing to each account can be taken off whenever requested, and the amount of stock held should agree with the capital stock account on the general ledger.

It is customary for the Cashier to keep this ledger, as it is considered a confidential record, but in many large banks the Assistant Cashier or some confidential clerk takes charge of it. The work is simple and only needs a little care to have it satisfactory.

A very complete form and one much used is here presented (Fig. 7).

When a man is an original stockholder, as in the case here shown of L. B. Brown, it is customary to use the term "cash" in crediting him with his stock, for his stock comes to him from the bank and not from any other stockholder. When transfers are made the account of the stockholder making the transfer is charged with the amount of stock transferred, the number of his certificate from which

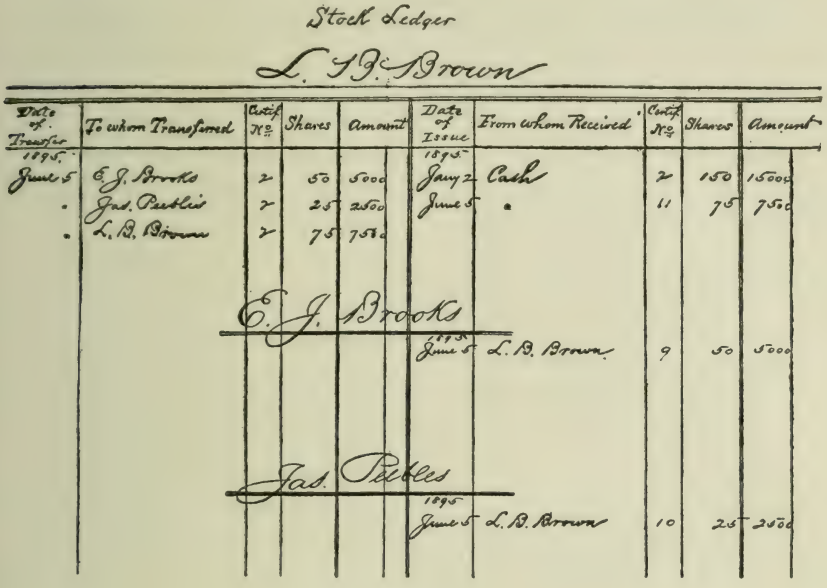


FIG. 7.

the transferred stock comes, and the name to whom transferred, and the account of the person receiving the stock is credited with the amount of stock transferred to him, the date of issue, the number of the new certificate, and the name of the person from whom the stock is received.

In the case mentioned, certificate No. 2 being entirely canceled and certificate No. 11 being issued for the balance of stock held by Mr. Brown, he is charged with the balance of No. 2, seventy-five shares, transferred to himself.

One important point regarding the stockholders of a National bank is, that according to the National Banking Act, section 5210, the bank is obliged to keep at all times a full and correct list of the names and residences of all its shareholders, and such list is subject to the inspection of the shareholders and creditors, and to any State officers authorized to assess taxes. A copy of such list, verified un-

der oath by the President or the Cashier, must be sent to the Comptroller of the Currency at Washington, D. C., on the first Monday of July of each year.

To be able to do this readily the necessity of keeping the careful records as stated is apparent.

The postings in the stock ledger to the credit of the shareholders are made direct from the stubs of certificate books, and the postings of the charges or transfers are made from the transfer book, if one is kept, or from the record of transfers on the stubs.

Under the National Banking Act banks are permitted to declare a dividend at such period as they may select. But whatever period is selected it must be coincident with the proper closing of the books, and the ascertaining of the net profits, if any. Anticipating profits is a dangerous practice, and will not be permitted with National banks. A circular letter issued by the Comptroller's office giving information regarding dividend periods is here shown.

Comptroller of the Currency, Form 320.
REPORTS.—7-27-'86-1,000.

CIRCULAR LETTER.

INFORMATION REGARDING DIVIDEND PERIODS.

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, June 22, 1886.

SIR: As there appears to be much misapprehension as to the proper time for declaring dividends, the following summary of the law and rules is published for the information of National banks:

Section 5199, Revised Statues, allows "dividends" out of "net profits" to be declared semi-annually, on certain conditions.

Section 5212, Revised Statutes, requires that within ten days after declaration of dividend, report thereof shall be made to the Comptroller.

The rules of this office require each bank to file here the dates selected for its semi-annual dividends.

There is no law or rule limiting the choice of the banks as to dates; nor is any bank restrained from changing the date when it likes; but whatever dates are selected must be reported and adhered to until formally changed and notice of the change is filed here.

Whatever days banks may select for declaring their dividends must necessarily be coincident with or subsequent to the dates on which their books are closed, and net profits for the preceding six months ascertained, for, until the books are closed, the net profits cannot be ascertained, and, until these profits are ascertained, a dividend cannot lawfully be declared.

The report should be made within ten days after the dividend is declared.

Very respectfully,

_____,
Comptroller.

To the PRESIDENT OR CASHIER.

Before the declaration of a dividend the bank must carry one-tenth part of the net profits to the surplus fund until that fund shall amount to twenty per cent. of the capital stock.

The customary method of declaring and paying dividend is about as follows: At the usual semi-annual (or quarterly or annual) meeting of the board of directors the Cashier presents a statement to the board, obtained from the general ledger, showing the gross profits of the bank for the past regular period, and the running expenses, also the losses from bad debts; this will show the net profits, if any. The board then decides what sum is to be charged off to surplus

Merchants National Bank Centre City Pa.

4th Semi Annual Dividend Nov. 1st 1898 4 %

Names of Shareholders	Address	No. of Shares	Amount of Dividend	We hereby acknowledge Receipt of the Accompanying dividend
Jas L. Pease	Centre City	200	800	J L Pease
Jas. L. Billings	"	100	400	Jas L Billings
W. L. Simpson	"	100	400	W L Simpson
A. B. Wilson	Fairfield	100	400	Cashiers Chk. # 14
W. N. Brown	Centre City	50	200	W N Brown
S. P. Jones	New York	150	600	Cashiers Chk # 15
J. K. Smith	Centre City	100	400	J K Smith
L. B. Brown	"	100	400	L B Brown
S. B. Brewer	"	100	400	S B Brewer
		1000	4000	

FIG. 8.—DIVIDEND BOOK

fund, and what to profit and loss, such as a portion of the premium account, and a portion from furniture and fixtures account and taxes and expenses, and also instructs the Cashier regarding the charging off to profit and loss of bad debts. From the net result they are able to determine what dividend to declare, if any, and upon motion the proper action is taken. If a dividend has been declared it then becomes necessary for the Cashier to prepare for it.

This preparation consists of entering the names, and the amounts due, upon the dividend book and the making out of the proper dividend checks.

The dividend book is very simple in its arrangement, a form most commonly in use being shown by Fig. 8.

It will be noticed that this form has a space upon which those stockholders who come to the bank for their dividends can sign a

receipt. This is the old custom and many prefer to continue it. On some accounts it is very satisfactory to have the stockholders come to the bank to meet the officers, and talk over the business and the prospects, just as in other lines of business it is pleasant for the customers and heads of the house to meet.

Many banks are, however, adopting the plan of mailing all the dividend checks, and as these are always made payable to order the proper endorsement of the checks is considered a sufficient receipt. Where this is done the column for receipts is unnecessary, and is usually left out. The dividend checks are generally made upon a form especially used for this purpose, and indicate somewhere on their face the number of the dividend paid, and are signed by the Cashier, Assistant Cashier, or President.

The following is a very good form for a dividend check, and one much in use:

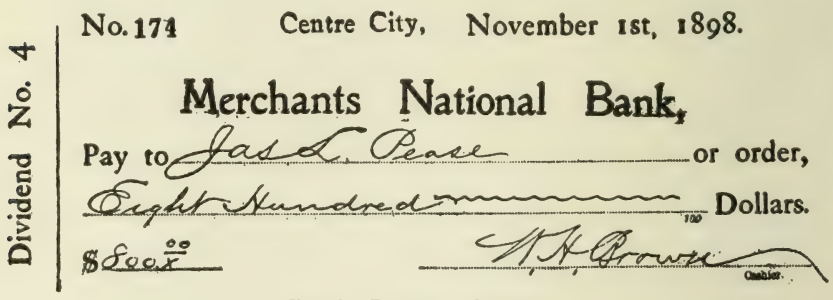


FIG. 9.—DIVIDEND CHECK.

In mailing the dividend checks it is customary to use a form for a letter of remittance; the following is a good one, much in use:

CENTRE CITY, Pa., Nov. 1, 1898.

DEAR SIR: Enclosed please find check for semi-annual dividend of four per cent. on the stock of this bank standing in your name, payable to-day. Kindly deposit the same or have it cashed at your earliest convenience.

The proper endorsement of the check will be sufficient acknowledgment of receipt.

Please give prompt notice of any change of address.

Respectfully yours,

W. H. BROWN, *Cashier.*

According to the National Banking Law, section 5212, every bank is obliged to report to the Comptroller of the Currency, within ten days after declaring any dividend, the amount of such dividend, and the amount of net earnings in excess of such dividend. These reports are made in duplicate upon blank forms furnished by the Comptroller's office, one copy to be kept in the bank on file. The penalty

for not complying with the above, promptly, is a fine of $100 per day for each day of delay after the period named.

There are few reports sent to the Comptroller's office which are more frequently made out erroneously than this, many banks apparently not understanding the proper use of the form. I therefore give two forms properly filled out, one showing profits and another showing loss, which may be of assistance. (Figs. 10 and 11.)

In the report showing a loss it will be seen that in item No. 6 on

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY—FORM 24.
Reports.

No. of Bank 6578 CAPITAL STOCK AT CLOSE OF THIS EARNING PERIOD. $100000 No. of Dividend 4

REPORT OF EARNINGS AND DIVIDENDS OF

"The Merchants Nath. Bank," located at Centre City, in the State of Penna.

for the period of six months ending Nov 1, 1902 Declared Oct 28, 1902 Payable Nov 8, 1902

FIRST SECTION.

3. Premiums on U. S. bonds charged off since last report			0	1. Gross earnings and profits made since last report		7	641 96
4. Losses sustained through bad debts, decrease of values, etc., since last report		1	324 05	2. Losses recovered since last report (if any)			0
5. Expenses and taxes paid since last report		3	511 11				
Total of items 3, 4, and 5		4	836 06				
*6. Net earnings and profits or loss of past six months carried down to second section		2	805 90				
TOTAL		7	641 96	TOTAL		7	641 96

SECOND SECTION.

12. Carried to surplus fund (not less than one-tenth of item 6, unless surplus is already 20 per cent of capital)		2	280 59	*6. Net earnings and profits or loss of past six months brought down from first section		2	805 90
13. Dividend of 4 per cent (on capital $ 100000)		4	000	7. Undivided profits or loss brought forward from item 14 of last report		3	040 20
14. Amount of net profits undivided or loss to be carried forward to item 7 of next report		1	564 51	8. Amount withdrawn from surplus since last report			0
				†9. Authorized reduction of capital used to meet losses or passed to profit account since last report			0
				10. Paid assessment on capital stock since last report			0
				11. Subscribed and paid in by shareholders since last report as surplus or profits			0
TOTAL		8	846 10	TOTAL		8	846 10

THIRD SECTION

18. Total surplus fund proper at date of this report		12	800	15. Total profits as National Bank since organization (less expenses, premiums, losses, etc.)		27	365 57
19. Total dividends since organization as National Bank		13	000	16. Add profits and surplus of old organization at date of conversion to the national system			0
20. Amount of net profits undivided or loss to be carried forward to item 7 of next report		1	565 57	†17. Total paid in by shareholders and reduction of capital used to meet losses and passed to profits			0
TOTAL		27	365 57	TOTAL		27	365 57

State of Pennsylvania
County of Centre

Sworn to and subscribed before me this 2 day of November, 1902

P. J. Jackson
Notary Public.

I, W. H. Brown, Cashier of the above-named bank, do solemnly swear that the above statement is true, to the best of my knowledge and belief.

W. H. Brown, Cashier.

* In case the loss exceeds the profits for the six months, the excess of loss over the profits should be entered in item 6 in red ink and deducted from total amount charged off (items 3, 4, and 5.)
† Any reduction of capital other than that used to meet losses or passed to undivided profits is not to be entered on this report and can be omitted where previously included.

(Ltd. 4-1-1901—50,000.) 2—40

FIG. 10.

[EXPLANATION OF REPORT OF EARNINGS AND DIVIDENDS.—Section 1 deals only with the profits realized and the amounts charged off during the period being reported, or since last report. No part of the profits earned or losses sustained, which have been previously reported (except as indicated in item 2), are to be included in this section. Please see that each section balances.

Section 2 deals only with the net profits (or loss) of current period (item 6) and the undivided profits of previous periods, or losses, if any (item 14 of last report); and any amounts which may have been withdrawn from surplus fund, or obtained from the sources indicated by the items entered therein, and the disposition of such amounts.

Section 3 deals only with the total money received from all sources and its distribution into surplus fund, dividends declared, and undivided profits on hand.]

each side the words earnings and profits are ruled out; this is done because the figures opposite represent a loss, and are shown in the report in *red ink*, according to the notation appearing at the bottom of the report. Some banks do not seem to recognize the ne-

cessity of showing the loss items in *red ink*, but it is exceedingly important and makes trouble when the instructions are not complied with.

It is customary to put a notice in the daily papers stating that the board of directors have declared a semi-annual (or quarterly or annual) dividend of (stating the rate), payable on (specifying the date).

Except in cases of old well-established banks with a large surplus it is unwise to adopt the policy of paying large dividends, even

TREASURY DEPARTMENT,
COMPTROLLER OF THE CURRENCY — FORM 24.
Reports.

No. of Bank 7755 CAPITAL STOCK AT CLOSE OF THIS EARNING PERIOD. $100000.. No. of Dividend 11

REPORT OF EARNINGS AND DIVIDENDS OF

"The Second Nath. Bank," located at Jamison, in the State of Idaho

for the period of Six months ending Nov 1, 1902 Declared Oct 31, 1902 Payable Nov 10, 1902

FIRST SECTION

3. Premiums on U. S. bonds charged off since last report		500		1. Gross earnings and profits made since last report	7 7 1 4 47
4. Losses sustained through bad debts, decrease of values, etc., since last report		3 5 6 0 77		2. Losses recovered since last report (if any)	
5. Expenses and taxes paid since last report		3 5 7 1 30			
Total of items 3, 4, and 5		7 6 3 2 07			
*6. Net ~~earnings and profits or~~ loss of past six months carried down to second section		4 1 7 60			
TOTAL		7 7 1 4 47		TOTAL	7 7 1 4 47

SECOND SECTION.

12. Carried to surplus fund (not less than one tenth of item 5, unless surplus is already 20 per cent of capital)		0		*6. Net ~~earnings and profits or~~ loss of past six months brought down from first section	4 1 7 60
13. Dividend of ..... per cent (on capital $.....)		0		7 Undivided profits or loss brought forward from item 14 of last report	2 5 6 5 51
14. Amount of net profits undivided or loss to be carried forward to item 7 of next report	2 1 4 7 91			8. Amount withdrawn from surplus since last report	0
				10. Authorized reduction of capital used to meet losses or passed to profit account since last report	0
				10. Paid assessment on capital stock since last report	0
				11. Subscribed and paid in by shareholders since last report as surplus or profits	0
TOTAL	2 1 4 7 91			TOTAL	2 1 4 7 91

THIRD SECTION.

18. Total surplus fund proper at date of this report	1 7 8 0 0			15. Total profits as National Bank since organization (less expenses, premiums, losses, etc.)	4 7 9 4 7 91
19. Total dividends since organization as National Bank	3 3 0 0 0			16. Add profits and surplus of old organization at date of conversion to the national system	0
20. Amount of net profits undivided or loss to be carried forward to item 7 of next report	2 1 4 7 91			†17. Total paid in by shareholders and reduction of capital used to meet losses and passed to profits	0
TOTAL	4 7 9 4 7 91			TOTAL	4 7 9 4 7 91

State of Idaho
County of Lemhi

Sworn to and subscribed before me this 4th day of Nov, 1902.

C. H. Price
Notary Public.

I, Jonas Dobbins, Cashier of the above-named bank, do solemnly swear that the above statement is true, to the best of my knowledge and belief.

Jonas Dobbins, Cashier.

*In case the loss exceeds the profits for the six months, the excess of loss over the profits should be entered in item 6 in red ink and deducted from total amount charged off. (Items 3, 4, and 5.)
† Any reduction of capital other than that used to meet losses or passed to undivided profits is not to be entered on this report and can be omitted where previously included.

(Rd. 4-1-1901—35,000.) 2—55

FIG. 11.

[NOTE.—This report is to be made semi-annually to the Comptroller of the Currency. If no dividend has been declared, the report is still required, showing the earnings of the bank and the disposition of the same.]

if large profits are made. Seasons of depression will come which affect the banking business as well as any other, and the wise banker will nurse his resources, pay reasonable dividends, and seek to build up a large surplus during his flush times to prepare for the dull times. Let me give two examples from my personal experience.

One bank with which I was connected many years ago had for several years unusual opportunities for making money. The surplus required by law was built up, but all the balance was paid out

in dividends. For several years the dividends ranged from twenty-five per cent. to sixty-six and two-thirds per cent. semi-annually. Their unusual opportunity finally ceased and they were obliged to come down to the level of ordinary banks. Then came business depression and heavy losses, and it was only by superhuman effort and the consolidation with another bank that failure was averted. Had this bank been satisfied to have paid good fair dividends, six per cent. to ten per cent. semi-annually (which would be large for the present day), and laid by a good solid surplus, well invested, it could reasonably have expected to weather almost any financial storm.

Another bank with which I am personally acquainted took the opposite policy, and in its palmy days carefully nursed its profits and built up its surplus. It has safely gone through all the panics of the last twenty-eight years, and to-day is one of the most solid institutions in the country.

The Pay Roll Book.

This is usually an ordinary journal ruled book, generally of small size, on which, under the proper date at the close of each two weeks or month, should be entered on the left-hand page the name of every officer and employee drawing a salary, with the amount of salary due, opposite his name. As the salaries are paid the recipient should sign his name on the right-hand page opposite his amount. This method will answer for small or moderate-sized banks, but one objection to it is the readiness with which employees can learn the amount of each other's salaries. Another excellent method, and one combining the element of privacy and especially useful where there is a large force, is to use for the pay roll a book ruled in columns like Fig. 12, shown on page 68.

A book ruled so that the amount columns cover the next adjoining page can be used six months with one writing of the names. The footing of the column on the pay day gives the correct amount to be paid, and for which the Cashier gives the paying teller a check or charge ticket. The money is put in envelopes. To assist the Cashier in this, the names on the pay roll can be numbered, and the number with its corresponding amount (no name), can be put at the top of each envelope. These envelopes can then be given to the teller to fill according to the amount stated on each. When done and returned to the Cashier, he can easily write the name in pencil on each envelope, and distribute to the employees and take their receipts.

The best and simplest form for a receipt is to use an ordinary blank book about ten inches long and four inches wide, having at the top of each page the words, written or printed, "Received from

Pay Roll for 1901

No.	Name	Remarks	Date of Emp. 1900	January 15	January 31	February 14	February 28
1	Geo. F. Smith	resigned 5/31	5/1	25	25	25	25
2	F. B. Jones		10/1	35	35	37 50	37 50
3	Chas. N. Barnes		1901 2/1			30	30
4	W. D. Watson		1/20		25	37 50	37 50

FIG. 12.

VOUCHER. No. 233

THE BANKERS NATIONAL BANK. Chicago, Jany 10 1902

To F. B Harris & Co.

DISTRIBUTION.					
1. Advertising			To bills of Stationery for Dec. 1901		87 50
2. Taxes			4 Sml Ledgers $75.		
3. Sundries			4 Journals 10..		
4. Lighting			1 new Manila paper 2.50		
5. Legal					
6. Postage					
7. Rent					
8. Salaries					
9. Stationery	87	50			
10. Telegrams					
11. Express					
12.			Correct: F. A. Watson asst Cas	Approved: C. C. Johnson Cashier	
13.					

RECEIVED from THE BANKERS NATIONAL BANK the sum of Eighty Seven & 50/100 Dollars, in full for the above account.

F. B. Harris & Co.

FIG. 13.

the ——— Bank the amount of salary as shown by the pay roll of ——— 1901." The employees or officers simply sign their names on the page under the proper date as they receive their envelopes, the pay roll never being seen by the employees.

Voucher No. 233 ENDORSEMENTS BELOW.

Date Jany 10 1902

Amount, $ 87.50

VOUCHER CHECK.

233

TO

THE BANKERS NATIONAL BANK,

CHICAGO, ILL.

Pay to the Order of

F. B. Harris & Co.

when within voucher is properly receipted,

Eighty Seven 50/100

_____ *Dollars,*

$87.50

C. C. Johnson

Cashier.

ENDORSE ON OPPOSITE SIDE AND DEPOSIT IN BANK.

FIG. 14.

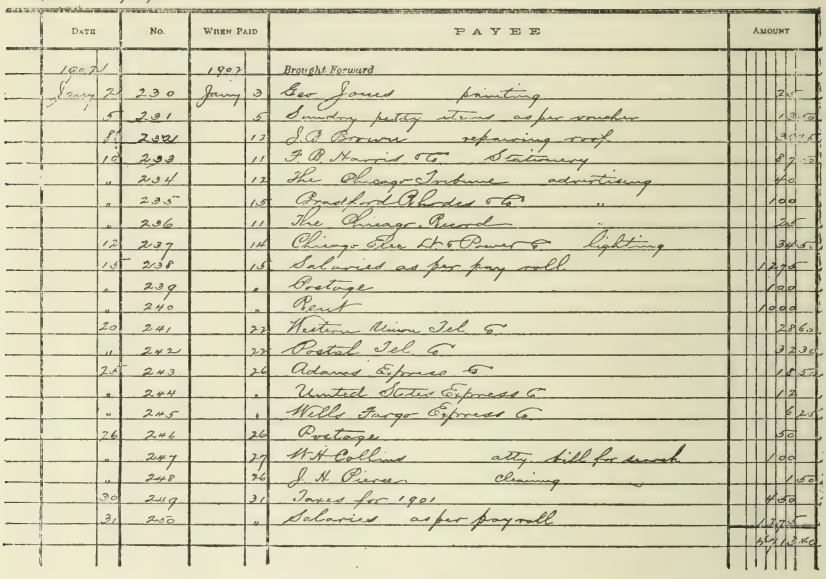
It is well to oblige each employee to open his envelope at once and count the money, that any errors may be more readily rectified.

The various expenditures incidental to the running of a bank are usually paid by the Cashier or Assistant Cashier. In most banks these payments are generally made in currency or by means of a Cashier's check, or a bank draft where necessary. In any case it is

important that a bill be obtained for each expenditure so far as possible, and that this be properly receipted when paid.

A bank being a corporation the stockholders have a right to know how the money is being used, and the records for all expenditures should be very carefully kept, and the receipts so filed that they can be referred to at a moment's notice.

Some banks simply file the bills according to date of payment, and when a detailed statement is asked by the directors it should be



Date	No.	When Paid	Payee	Amount
1901		1901	Brought Forward	
Jany 2	230	Jany 3	Geo Jones printing	2 50
5	231	5	Sundry petty items as per voucher	13 75
10	232	12	J. B. Brown repairing roof	24 00
10	233	11	F. B. Harris & Co Stationery	87 25
"	234	12	The Chicago Tribune advertising	50
"	235	15	Bradford Rhodes & Co "	100
"	236	11	The Chicago Record "	25
"	237	14	Chicago Edison Co & Power Co lighting	30 45
15	238	15	Salaries as per pay roll	1275
"	239	"	Postage	100
"	240	"	Rent	1000
20	241	22	Western Union Tel Co	2 60
"	242	22	Postal Tel Co	3 25
25	243	26	Adams Express Co	10 50
"	244	"	United States Express Co	12
"	245	"	Wells Fargo Express Co	6 25
26	246	26	Postage	50
"	247	27	W. H. Collins atty. bill for search	100
"	248	26	J. H. Pierce claim	150
30	249	31	Taxes for 1901	450
31	250	"	Salaries as per payroll	1375
				5971 24

Fig. 15.—Voucher Record.

made up from the records, and the receipted bills should accompany it.

The voucher system is being adopted by many active banks, it being a much more complete method. The best form of a voucher is one which combines the voucher and check. A form for such is shown in Fig. 13, which gives the face of the voucher.

When this is folded lengthwise it becomes about the size of an ordinary check, and on the outside is the voucher check, which is made payable at bank. When the voucher is properly receipted on its face and endorsed on the blank side, it can be cashed or deposited in bank the same as a check or draft, and can be used to pay out-of-town bills as well as the local ones. This class of voucher is sure to be returned to the bank (unless lost in the mail); the bank is sure to have a receipt, and they are in proper shape for filing and

for easy reference. Fig. 14 shows the voucher folded and exhibits the voucher check.

A very useful auxilliary to the voucher system is the voucher record. This is a book ruled as shown in Figs. 15 and 16, which give the left-hand and right-hand page. The book is about ten inches wide and fifteen inches long.

When a voucher is issued it is recorded in this book opposite its proper number, and the amount carried into the amount column, and then entered in its proper classification column on the right-hand page. The sum of the totals of the various classification columns must equal the total amount shown on the left-hand page. As

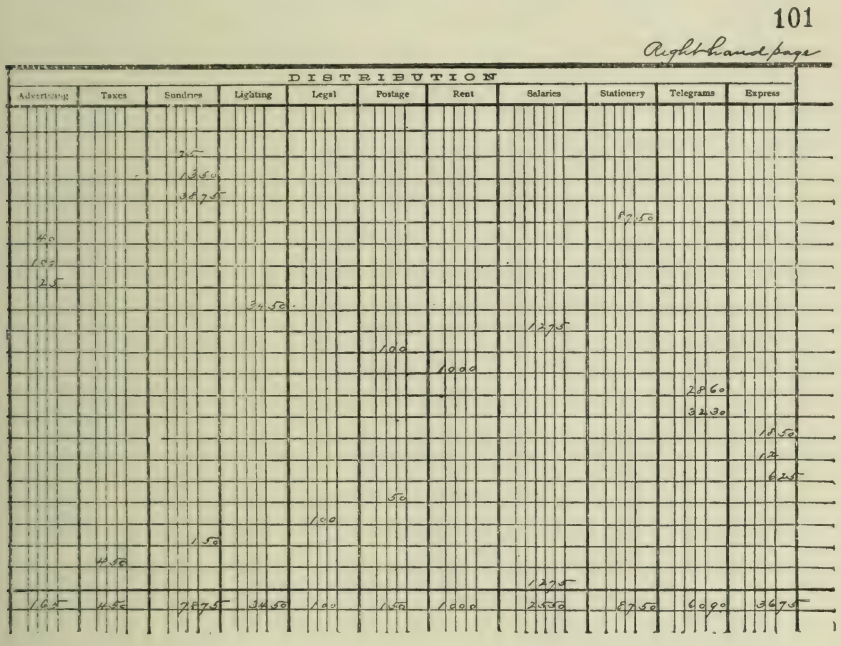


FIG. 16.—VOUCHER RECORD.

the vouchers are paid the date of payment is noted in the proper column on the left-hand page.

By footing the classification columns monthly the total can be readily proved, and this must agree with the total of the expense account on the general ledger, it being necessary to keep only one general expense account on the ledger with this system.

The voucher record is a detailed statement in itself and can be laid before the board of directors with the accompanying vouchers.

It is well to attach the original bills to their respective vouchers, as this gives any explanation necessary.

Tuesday Dec 16th 1902

Legals in Vault,	25	000						25.	15.	
" on Counter,	12	600						40.	10.	
Specie, viz:—Gold in Vault,	10	000						162.50	182.25	
" on Counter,		350						13.25	63.50	
" Treas. Ctf's,	3	500						125	42.37	
Silver Coin,	4	660	50					160.	57.20	
" Treas. Ctf's,	5	251		6	136	150		50.	326.32	
National Bank Notes,				2	750			27.		
Nickel Coin and Pennies,					425	62		21.50		
Sundry Items,					326	32		624.25		
Checks,					624	25				
				65	487	69				
Genl. Ledger bals				65	487	59				
Cash over						10				

FIG. 17.—TELLER'S SETTLEMENT BOOK.

CASH. Dec. 16/1902

LEGAL	NAT'L	GOLD	SILVER	N. AND CTS.	C. ITEMS
25000	1500	10,000	3000.	250.	25.
10000	1250	350	1500.	175.62	40.
3500	2750	10,350	160.50	425.62	162.50
5251			4660.50		13.25
2600					125
46,351					160.
					50.
					27.
					21.50
					15.
					10.
					182.25
					63.50
					42.37
					57.20
					950.57

Legal,	46.351.	
Nat'l,	2750.	
Gold,	10,350.	
Silver,	4.660.50	
N. and Cts.,	425.62	
C. Items,	950.57	
	65.487.69	
	65.487.59	Genl. Ledger Balance
	.10	Cash over

FIG. 18.—TELLER'S SETTLEMENT BOOK.

For small banks, having only one teller, which are in the majority, the simpler the forms for keeping their accounts, and producing the proper result, the better. Recognizing the fact that the detail of the day's work is concentrated at the general ledger desk, and that the cash balance as shown by the final result at that desk must be verified by the cash on hand at the teller's desk, many of these banks use a very simple form of teller's cash book in which is indicated simply the items which constitute his cash. The proof being the comparison with the balance from the general ledger desk. Figs. 17, 18 and 19 show forms quite popular, and very useful for this kind of a teller's cash book.

These forms are seven inches wide by eight and one-half inches long, and are generally bound in a book with two on a page.

Teller's Settlement Book.

The teller's settlement book is, as its name implies, the book upon which the teller makes his records, and upon which he balances his cash at the close of the day.

In large banks, where there is more than one teller, the paying teller being in reality the chief teller, each of the other tellers proves his own cash and then turns it over to the paying teller. The latter, besides proving his separate cash, makes up a general settlement which must show the total of all the cash in the bank, and this total must agree with the cash balance as called for by the general ledger bookkeeper.

The balancing time, after the close of the bank for the day, is generally the anxious time, for the proof of the teller's cash is the test of the correctness of most of the running work of the day. When the various vouchers taken from the teller's desks have been entered twice and their totals prove by comparison at various periods during the day, there is generally very little trouble in balancing. Sometimes even with care something will be overlooked; then comes the trouble, and the checking back of the work. If after all the entries have been proved to be correct, and correctly footed, the difference still remains, it is pretty conclusive that an error has been made at the tellers' desks either in counting the money on hand, or possibly during the day in paying or receiving.

When the cash is short or over at the close of the day the teller should enter the item on the proper side of his settlement book with the proper notation; this item given to the general ledger bookkeeper should be entered in his journal and posted to the debit or credit of an account styled overs and shorts account.

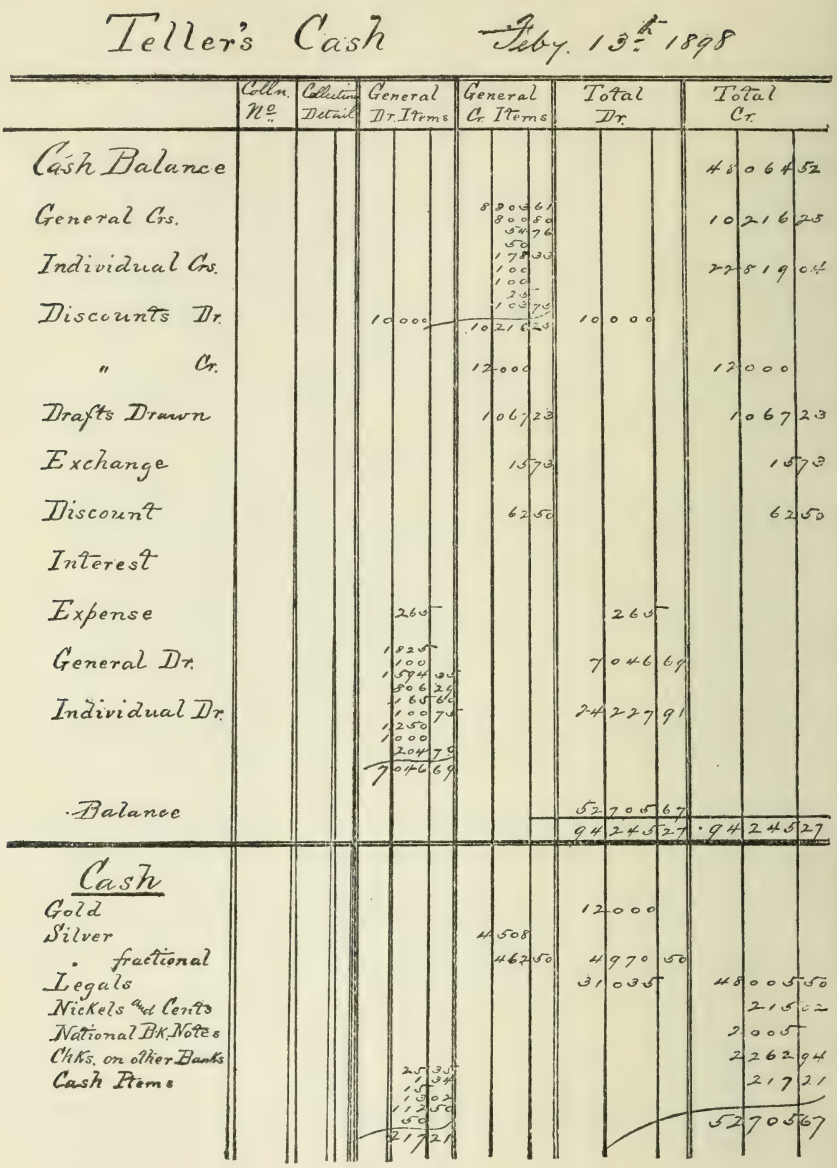


FIG. 19.—TELLER'S SETTLEMENT BOOK.

In large banks there is a variety of systems, but I give here some of the best.

Those giving the regular transactions for the day's business, where both paying and receiving tellers are employed, show the connection between the two departments. One feature consid-

ered important in the settlement books is the proper classification of the money, and the nearer this conforms to the classification required by the Government, either State or National, in the making of reports, the less trouble will be found.

In Fig. 20 will be seen a book called first teller's cash details in which is placed at the close of the day, as the cash is counted, the amounts of each character of money, or vouchers representing the same, under or opposite their proper classification. The item at the bottom of the right-hand page of this form called checks represents the checks of all kinds paid by the paying teller during the day, and the amount is obtained from the check scratchers, either individual or foreign.

Figs. 21 and 22 belong to the same set and show the second or receiving teller's work in balancing.

Fig. 21 gives the cash details at the close of the day at this teller's desk, and Fig. 22 shows the receiving teller's settlement. Fig. 23 shows the teller's general settlement. After each teller has proved his own desk, the work and items of the two are then combined in this book, and this gives the total cash balance of the bank, which, as said before, should agree with the balance called for by the general ledger bookkeeper. This book is kept by the first teller.

Figs. 20, 21, 22 and 23 all belong to one set, and show one day's actual transactions at the two tellers' desks in one of the best managed large banks in the country.

Fig. 24 shows the settlement book of a large and very flourishing bank. This is in reality a general settlement similar to the one before shown, but in this case the details of the cash and vouchers are kept on scratchers. The cash items are written up and footed on narrow strips by use of the arithmometer, and these strips pasted in a scratcher.

The receiving teller makes a separate balance, as is seen by Fig. 25. This book, as will be seen, is used with a stub. The receiving teller notes on the stub the totals of each classification, which should agree in aggregate with the settlement slip. This is his memoranda. The settlement slip is torn from the stub at the perforated line, and really forms a receiving teller's report, which is turned over to the first teller with the money and vouchers representing the same. The first teller enters the amounts as shown by the report in his general settlement in the column marked receiving teller, and in the column marked total are extended the amounts comprised in both tellers' desks, which makes the total cash balance of the bank.

To facilitate an early balance, soon after the closing of the doors, it is extremely necessary that the tellers keep their currency counted pretty closely. This especially applies to the receiving teller who is

Left hand page

First Teller's Cash Details. Apl. 26/98

Cash Balance			996 0 65 52
Discount Account		35 94	
Exchange Account			
U. S. Treas. other than 5% Fund			
Temporary Loans			
Clearing House Gold Certfs.			
U. S. Treas. Gold Certfs.			
U. S. Legal Tender Certfs.	45 0 0 0		
Due Bills	212 33 7 25		
~~Shorts and Overs Account~~			257 37 3 1 9
			1253 43 8 71

FIG. 20.

Right hand page.

First Teller's Cash Details.

Merchants National Bank April 26. 1895

		U. S. Legal Tender Notes.	Silver Certificates.
Vault		50000	90000
$1000.			
500.			
100.		23000	1000
50.		5000	1000
20.			2000
10.			4500
5.			8900
1's and 2's.			2200
Odd Sum			1329
Mutilated			
Asst. Treasurer's Receipt.			
Mixed		5000	
		83000	110929
	Cash Items		
Temporary Loans	834		
National Bank Notes	5		12000
Nickels and Cents	834		4487 41
	10		
	31 96		
	30		
Gold Coin Tray	7106	12292 50	
Vault	65	175000	187292 50
	1440		
	2130		
U. S. Treas. Gold Certfs.	8050		
Clearing House Gold Certfs.	34590		
Silver Dollars			2948
Silver Treasury Certfs.			110929
Fractional Silver			25727
U. S. Treasury Notes			
Legal Tender Notes			83000
U. S. Certfs. of Dep. for Legal Tender			
U. S. Treas. other than 5% Fund			
Misc. Checks and other Cash Items			34590.
Expenses			22849
			421395830
Checks			82948041
			1225343871

FIG. 20 (Continued).

Second Teller's Cash Details April 26/98

Temporary Loans							
National Bk. Notes	5	250					
Nickels and Cents			1	88			
Gold Coin		117	50				
Gold Treasury Ctfs.							
Silver Dollars							
Silver Treasury Ctfs.	45	079					
Fractional Silver Coin		99	55				
Legal Tender Notes	3	800			54	347	93
Miscellaneous Checks				Forward	21	168	82
Asst. Treas.		2	50	Held Overs	3	792	96
"		420	18	Trust Companies	21	065	29
"		411		Peoples Savgs.		159	15
"		30		City Trust	7	791	20
"		12	30	"	6	604	80
Guar. Trust		600		Moore		32	50
Floyd		231	56				
Harris		150					
Bell Tel		13	09				
Notary		52	97				
Bemis		1	25				
U.S. Exp.			4	52			
"				75			
Cont. Trust			5	62			
Pa. R.R.		31	20				
			10				
Craig.			17	40			
Susq. Coal			32	50			
Pa. Canal			25				
Tryon			10	23			
Webb			3	50			
Forward	21	168	82		41	644	72

FIG. 21.

Receiving Teller's Settlement.

April 26th 1898

Temporary Loans			
Amount sent to Clearing House	345	590	59
National Bank Notes	5	250	
Nickels and Cents		1	88
Gold Coin		117	50
Gold Treasury Certificates			
Gold Clearing House Certificates			
Silver Dollars			
Silver Treasury Certificates	45	079	
Fractional Silver		99	55
Legal Tender Notes	3	800	
U. S. Certs. of Deposit			
Miscellaneous Checks and other Cash Items	41	644	72
	441	583	24
Checks	699	547	28
	1141	130	52
Individual Deposits	424	849	87
General Deposits	644	110	40
Receipts from Notes	72	170	25
	1141	130	52

FIG. 22.

Left hand page

Teller's General Settlement April 26 1898.

Cash Balance					996	065	52				
Discount Account			35	94							
Exchange Account											
U. S. Treas other than 5% Fund											
Temporary Loans											
Clearing House Gold Certfs.											
U. S. Treas. Gold Certfs.											
U. S. Legal Tender Certfs.		45	000								
Due Bills	212	337	25								
					257	373	19				
Second Teller's Receipts					1253	438	71				
					1141	130	52				
					2394	569	23				

FIG. 23.

right hand page.

Teller's General Settlement April 26 1898

	Paying Teller.			Receiving Teller.			Total Cash.		
Temporary Loans									
Amount from 2d Teller sent to Clearing House				345	590	59	345	590	59
National Bank Notes	12	000		5	250		17	250	
Nickels and Cents	1	487	41			1 88	1	489	29
Gold Coin	187	292	50		117	50	187	410	
U. S. Treas. Gold Certfs.									
Clearing House Gold Certfs.									
Silver Dollars	2	948					2	948	
Silver Treasury Certfs.	110	929		45	079		156	008	
Fractional Silver	25	727			99	55	25	826	55
U. S. Treasury Notes									
Legal Tender Notes	83	000		3	800		86	800	
U. S. Certfs. of Deposit for Legal Tenders									
U. S. Treas. other than 5% Fund									
Miscellaneous Checks and other Cash Items		345	90	41	644	72	41	990	62
Expenses		228	49					228	49
Checks	423	958	30	441	583	24	865	541	54
	829	480	41	699	547	28	1529	027	69
	253	438	71	1141	130	52	2394	569	23

Fig. 23 (Continued).

Left hand page

First Teller's Settlement July 14 1898

Cash Balance	3723	565	85			
Due to Receiving Teller	1146	035	71			
	331	886	61			
	5201	488	37			
Second Teller's Receipts	3340	561	48			
	8541	049	85			

FIG. 24.

Right hand page

First Teller's Settlement July 1st 1898

	Paying Teller			Receiving Teller			Total Cash		
Sent to Clearing House				1091	689	87	1091	689	87
Due by Paying Teller				1146	035	91			
Due by Receiving Teller									
Cash Items	10	042	50	107	482	10	117	524	60
Nat'l Bank Notes	60	000		16	000		76	000	
Mutilated Currency	58	506					58	506	
Fractional Coin		932	75		167	10	1	099	85
Silver Coin	8	280		1	600		9	880	
Silver Notes									
Gold Coin	88	380			142	50	88	522	50
Legal Tender Notes	166	690		15	855		182	545	
U. S. Legal Tender Ctfs.	1100	000					1100	000	
U S. Gold Ctfs.	15	000					15	000	
C. H. Gold Ctfs.	820	000					820	000	
Checks	2327	831	25	2375	972	48	3560	767	82
	2873	657	12	961	589		3835	246	12
							1146	035	91
	5201	488	37	3340	561	48	8542	049	85

FIG. 24 (Continued).

7/14/98 Receiving Teller's Settlement July 14 1898

1091.689.87	Exchanges				1091	689	87
1146 035.91	Due by First Teller				1146	035	91
107.482.10	Sundries				107	482	10
142.50	Gold					142	50
1.767.10	Silver				1	767	10
16.000.	Natl. Bank Notes				16	000	
15.855.	Legal Tender Notes				15	855	
961.589.	Checks				961	589	
	Due to First Teller						
271374.66	Note Work	271	374	66			
1709.236.20	Scratcher	1709	236	20			
1359.950 62	Blotters	1359	950	62			
3340561.48 3340.561.48		3340	561	48	3340	561	48

FIG. 25.

receiving money of all kinds during the day. As the bills are received they should be assorted according to denominations, and placed in their proper tills. Another thing to be considered when assorting the notes is to separate the legal tenders from the National bank notes. This is important, for in computing the reserve of the bank these two classes should be considered differently, the legal tenders (which comprise the greenbacks), and the gold certificates and silver certificates, being the class that can be considered as part of the reserve.

In the small banks the receiving teller occupies much of his spare time in putting his money up in packages, the $1 and $2 bills in packages of $100 each, the $5, $10 and $20 bills in packages of $500 each. These packages are then bunched, ten packages in a bundle, each bundle representing $1,000 of the small denominations or $5,000 of the large. In large banks the receiving teller has assistants who are kept busy in this recounting, assorting and bundling of the money.

The coin is put in bags, the bags of gold containing $5,000 each, and silver dollars in bags containing $1,000 each. The fractional silver that is not required for immediate use is put into smaller bags, generally containing from $250 to $500 in a bag. The nickels and pennies not needed for immediate use are also kept in bags or in boxes, and it is very customary to have these put up in rolls containing $1 each of the former and 25 cents each of the latter. Many banks also have some small change put up in quite small bags con-

taining from $5 to $25 in each, to facilitate the disbursing of these coins in large numbers when wanted. The fact that the gold and silver coins are considered a part of a bank's reserve makes the necessity of keeping this class by itself apparent.

Most banks which handle considerable coin have coin scales, which are so delicately balanced that they will show even the effect of the usual abrasion of the coins, by the short weight. It simplifies the counting of the coin very much to be able to put a bag full upon the scales and judge its value. If a considerable quantity of the coins are old and much worn it is safer to count, as the abrasion may make a difference of several dollars in a bag.

The Certification of Checks.

Part of the duties of the paying teller of a bank is to certify checks, as has been previously shown. This is a custom almost exclusively confined to the large cities, although there is nothing to prevent its being done in any banks, unless some local rule against it should prevail. While in some banks certifying is done by the Cashier, still the general custom makes it one of the duties of the teller.

Great care should be exercised to see that the depositor has the amount *actually on deposit* before certifying a check.

Section 5208 of the Revised Statutes makes it an offense "for any officer, clerk or agent of any National banking association to certify any check drawn upon the association unless the person or company drawing the check has on deposit with the association, at the time such check is certified, an amount of money equal to the amount specified in such check."

The penalty for the violation of this law is the placing of the bank in the hands of a Receiver, and the punishment of the offender by a fine of not more than $5,000, or imprisonment for not more than five years, or both, at the discretion of the court.

It is right that this law should be a strict one, and the penalty severe, for more than one bank has been wrecked by its non-observance. The certifying of a check is virtually the paying of the check, and the bank becomes obligated by marking the check "good," to set aside the money for it by which it shall be paid on proper presentation.

A bank, however, cannot be compelled to certify a check. It may prefer for good reason to pay the check, and it has the right to so elect if preferred. A banker will rightly hesitate to certify a check for a small sum, as many cases have occurred where such checks have been raised to much larger amounts and passed to an innocent third person. It is certainly good banking to cash such checks instead of certifying.

The customary way to certify a check is to write or stamp across its face the sentence "Good when properly endorsed," the signature of the officer immediately following. A safe plan is to also number

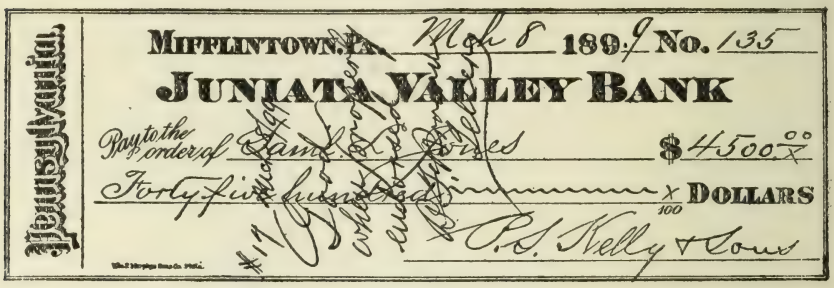

Pennsylvania
MIFFLINTOWN, PA. Mch 8 189 9 No. 135
JUNIATA VALLEY BANK
Pay to the order of Jas. E. Trimmer $4500 00/100
Forty five hundred x DOLLARS
P. S. Kelly & Sons

FIG. 26.

and date the certification, the number to be that shown by the certified check register.

Fig. 26 shows a check certified by the method suggested.

It is necessary that a book called the certified check register be kept by the teller, or his assistant, in which should be noted at the

Certified Check Register

Date of Certification	Number	Name	To whose Order	Amount	When Paid	Amt. Paid
1899 Mch 5	51	Jas E Trainor	B. F. Brown	3600	1899 Mch 21	3600
" 7	52	Saml Barrow	W. B. Shields	2875 46	" 18	2875 46
	53					
	54					
	55					
	56					
	57					
	58					
	59					
	60					
	61					
	62					
	63					
	64					
	65					

FIG. 27.

time of certification of a check, opposite its regular number, the description of the check, and when the check is presented for payment, the date of payment and the amount should be entered opposite the first entry. This book is numbered consecutively, fifty numbers on a page. A good form for such a book is seen in Fig. 27.

At the close of the day the bookkeeper obtains his entry from

the certified check register and charges the depositor's account with the amount, and the certified check account should be credited with the same amount on the general ledger. When the check is paid, the proper entry should be made on the register as before stated and the certified check account charged with the amount.

Clearing-House Due Bills.

Another of the duties attached to the paying teller's desk, in cities where there is a clearing-house, is the issuing of the clearing-house due bills. These due bills are given in settlement of the balances due to the clearing-house and to individuals for immediate use, such as the payment of a note at another bank. In this they often take the place of the certifying of checks. They also pass between banks in payment for ex change.

The due bills are bound in a book with a stub, and when issued are to be signed by one officer and countersigned by another. Fig. 28 shows the customary form for due bills.

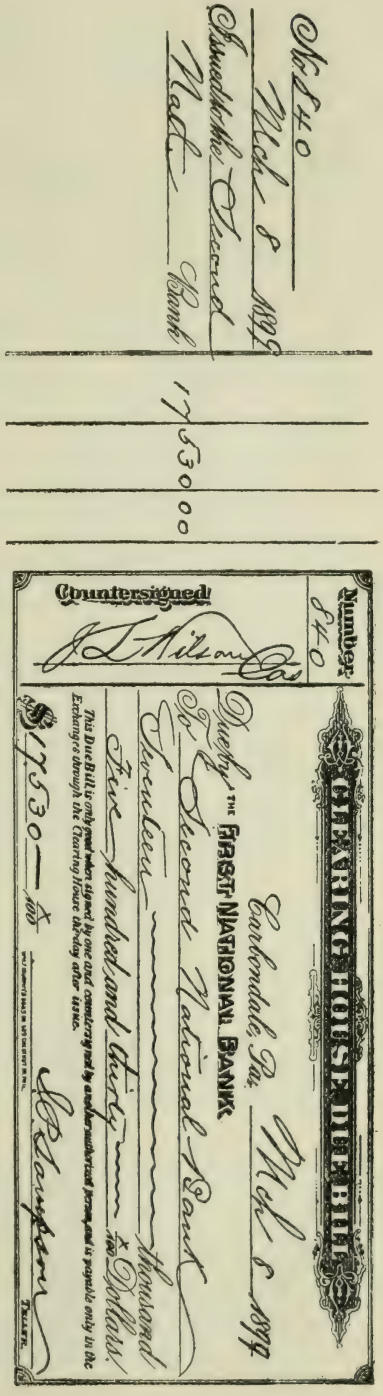

No. 240
March 8 1894
Pay to the Second
National Bank
or Bearer
17530 00
CLEARING HOUSE DUE BILL.
Number 240
Countersigned
Carbondale, Pa. March 8, 1894
THE FIRST NATIONAL BANK
Duebill
To Second National Bank
or Bearer
Seventeen Thousand Five Hundred and Thirty ⅌ Dollars
This Due Bill is only good when signed by one and countersigned by another authorized person, and is payable only in the Exchanges through the Clearing House the day after issue.
$17530 — ⅌
Teller.

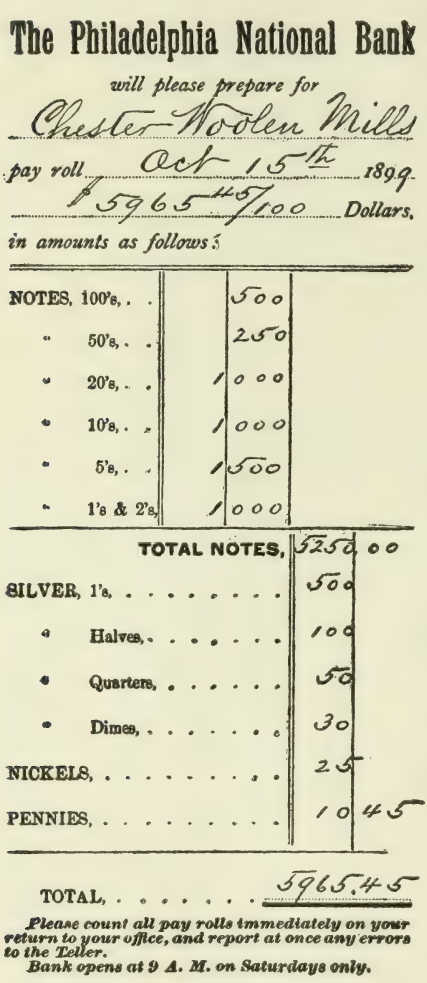
Fig. 28.

Money for Pay Rolls of Customers.

In some manufacturing cities where the competition between the banks is great, for the purpose of securing accounts some banks agree to put up the money for the pay rolls of their customers in the necessary individual packages, these rolls being furnished them by the manufactur-

ing companies and others. Where the pay rolls are large this requires a great amount of extra labor, and I think it is questionable whether it really pays.

Some banks furnish their customers who draw money for large pay rolls with a blank slip on which they can indicate the amount of money required in the various denominations. This is a convenience both to the bank and to the customer. The slips being retained on file by the paying teller, become one of his vouchers. Fig. 29 shows the customary form for these pay roll slips.



The Philadelphia National Bank

will please prepare for

Chester Woolen Mills

pay roll Oct 15th *1899.*

$5965.45/100 *Dollars,*

in amounts as follows:

NOTES, 100's,		500
" 50's,		250
" 20's,	1	000
" 10's,	1	000
" 5's,	1	500
" 1's & 2's,	1	000
TOTAL NOTES,		5250 00
SILVER, 1's,		500
" Halves,		100
" Quarters,		50
" Dimes,		30
NICKELS,		25
PENNIES,		10 45
TOTAL,		5965.45

Please count all pay rolls immediately on your return to your office, and report at once any errors to the Teller.
Bank opens at 9 A. M. on Saturdays only.

FIG. 29.—PAY-ROLL SLIP.

RECEIVING TELLER'S DEPOSIT RECORD.

The receiving teller generally keeps a record of all the deposits received by him during the day. These he enters upon a book by name and amount from the deposit tickets before these tickets are given to the bookkeeper. It is right that he should keep this record and that none of the tickets or vouchers should be given up until the record has been made.

This book upon which such a record is kept is usually called the deposit scratcher, and Fig. 30 gives the usual style.

The narrow column, in which figures are seen, is used for noting the amount of currency contained in the deposits. The keeping of such a record may often aid the teller in discovering errors in his balance.

The usual form of the deposit ticket is well known, but I give here in Fig. 31 one with the initialing mentioned before.

Another useful feature, besides the initialing, is that of stamping all the deposit tickets that come in before noon with the letters A. M., as it is sometimes very important to be able to state when a deposit

Deposit Scratcher May 15th 1899

J. B. Smith	50	247	15	Brought forward			
A. L. Jones		175	—				
Saml Barrow	100	755	16				
Jas. E. Trainor	50	450					
W. B. Brown		315	60				
W. Peterson	75	75	—				
G. F. James		240					
Forward							

FIG. 30.

was received. An instrument is in use in some institutions called a time stamp, the time part being run by clock work, which is wound up every day, and when used at the receiving teller's desk to stamp deposit tickets, stamps the word received with the date and time of the day. When used at the paying teller's desk it stamps the word paid instead of received. In lawsuits it is sometimes of great advantage to be able to tell definitely at what time of day a transaction took place.

One of the most useful books I have found in a bank is called the proof book. In banks of comparatively small size one book will generally answer, but in larger banks two books, one for the debit items and one for the credit items, are found necessary. I give in Fig. 32 the form for such a book, both pages, for a bank using only one book.

This form, as will be seen, has also two columns on the credit page upon which the teller is to make up his daily cash, and is used in place of a cash settlement book. This will answer very well for banks of a moderate size. The items, of all kinds, before being removed from the teller's desk, are entered in their proper columns in this book, and the totals of each of these columns must agree with the totals as shown by the various departments to which the items have been distributed.

As will be seen, the proof is made about three times during the day, which saves the annoyance of going over the whole day's work at the close of the day, if there should be difficulty in balancing. The items as given can be traced into the cash with the exception of those under the head of exchanges, totaling $4,169.46, for the reason that these items represent the exchange checks carried over into the next day's work, and would be found listed on the page belonging to the next day.

DEPOSITED BY

J. S. Brown

IN THE

Traders National Bank

Centre City,

Sept 19 1899

PLEASE LIST EACH CHECK SEPARATELY.

NOTES		150	
GOLD		10	
SILVER		50	
CHECKS	1st	32	50
	Mch 5	217	65
	2d	95	14
	City	145	
	Newark	38	16
		738	45

AM

FIG. 31.—DEPOSIT TICKET.

The last item of the cash, exchanges $6,058.94, is the total of the exchange checks received from the other banks, as will be seen by a reference to the last items on each of the columns of exchanges. When the totals of checks coming from other banks through the exchanges exceed that against those banks, the total is placed in the respective columns in red ink. This is shown in the columns of exchanges for first and second, the former returning $3,830.52 and the latter $802.07.

The columns representing individual credits and individual debits can be subdivided where more than one individual ledger is used; for instance, one column representing the items for the A to K ledger and the other the L to Z ledger. In fact, many more subdivisions can be made of other items, such as the exchanges, to suit the case, the principle remaining the same.

Where one book is used it is generally made with plenty of space, the pages being about eighteen inches long by twenty inches wide. Where two books are used the cash settlement portion is generally left off, the books being used simply as a proof for items, and except in small banks this is preferable. The debit items being the most numerous the pages of that book are generally about twenty inches long by sixteen inches wide, while the pages for the book containing the credit items are about seventeen inches long by fourteen inches wide. The blue cross ruling is made with a space of a trifle over one-eighth of an inch.

Where a receiving teller keeps a deposit scratcher, as mentioned before, in which are entered the name and amount of each deposit ticket, the column in the proof book styled individual credits may be done away with, as the entering of the items again would be unnecessary duplication.

I think the use of the deposit scratcher is preferable, as the items can be more easily identified when necessary.

The General Ledger.

We now come to one of the most important desks in the bank, the general ledger desk. In this ledger is kept a condensed record of the whole business of the bank. In fact all the other desks may be considered auxiliaries of the general desk, as the results of the day's business that pass through them are carried in aggregates to the general ledger.

In this ledger are kept the capital stock account, all the various profit accounts, such as interest, exchange and discount; all the accounts representing the expenses of running the business, such as expense, salaries, interest paid, exchange paid, discount paid, rent, taxes and insurance; also furniture and fixtures and the profit and

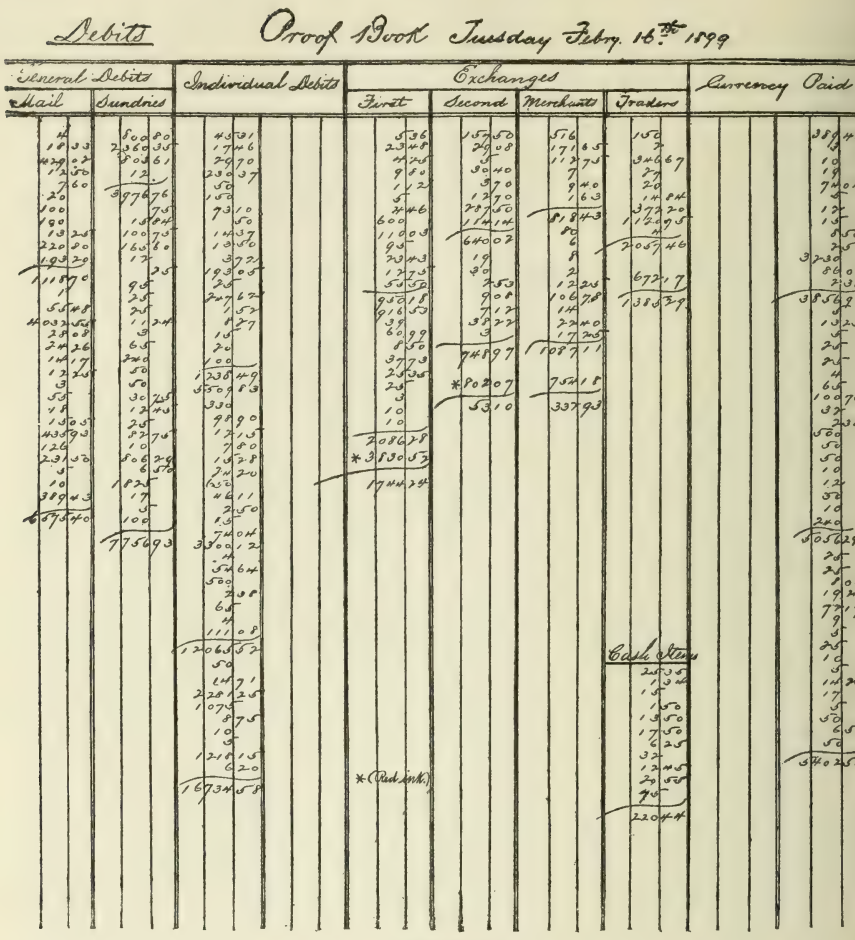


FIG. 32.

loss account. We will also find there the dividend account, the account showing the indebtedness of the bank to its depositors, called the individual deposit account, also the certificate of deposit account, the certified check account, the Cashier check account, the clearing-house due-bill account, the accounts showing the indebtedness of the bank on account of money borrowed for its benefit, either upon paper of others for which it has made loans, which is called rediscounting, and is kept in a rediscount account, or upon paper of its own, signed by the directors of the bank, and called bills payable, and kept in an account of that name; the account showing the circulation of the bank, one showing the amount of bonds that have been deposited with the United States Treasury for the circulation, and one showing the premium on the bonds, the amount owing to the

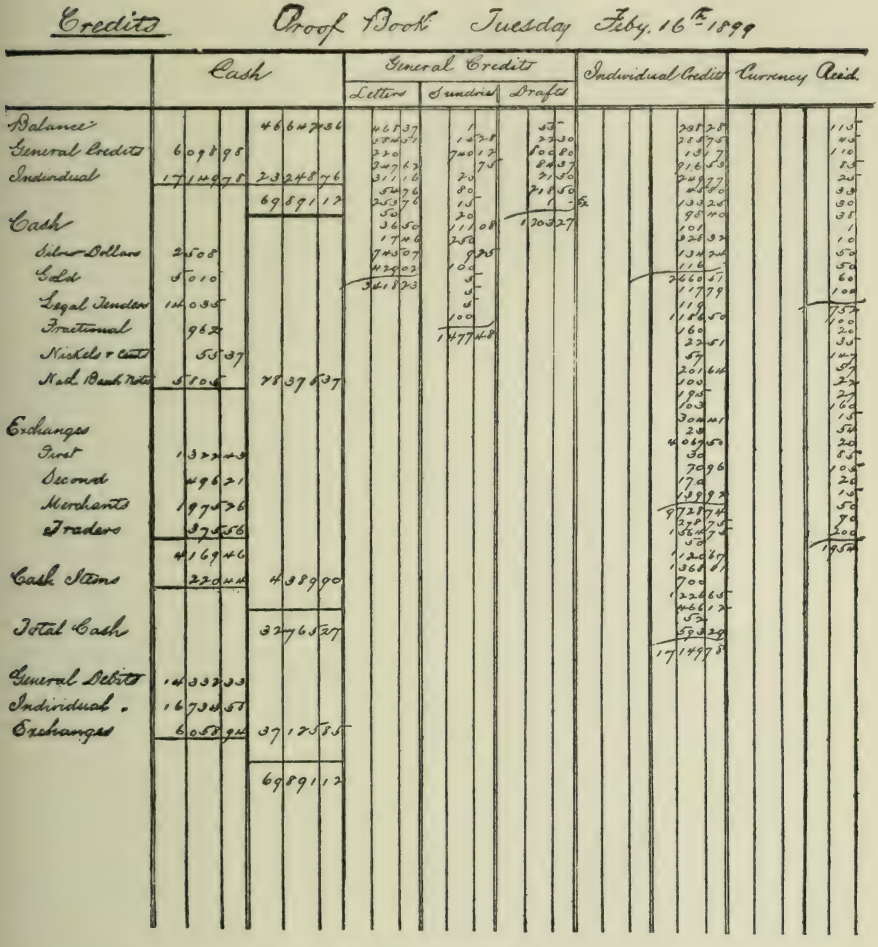


Fig. 32 (Continued).

bank on account of loans of various kinds, which in some banks are kept in separate accounts, such as demand loans, collateral loans (demand), collateral loans (time), and bills discounted representing the usual discounted time paper. Most banks keep only one account representing all their loans and discounts, which is kept under the name of bills discounted or notes discounted, but I think it will be found advisable to have a separate account for the demand loans.

The accounts with the various correspondent banks and with the reserve banks are kept on this ledger, also the cash account of the bank, in aggregate, and the redemption fund account.

In large banks it is customary to keep the accounts with the various correspondent banks in a separate ledger, or ledgers called bank ledgers (they are often subdivided alphabetically). A represen-

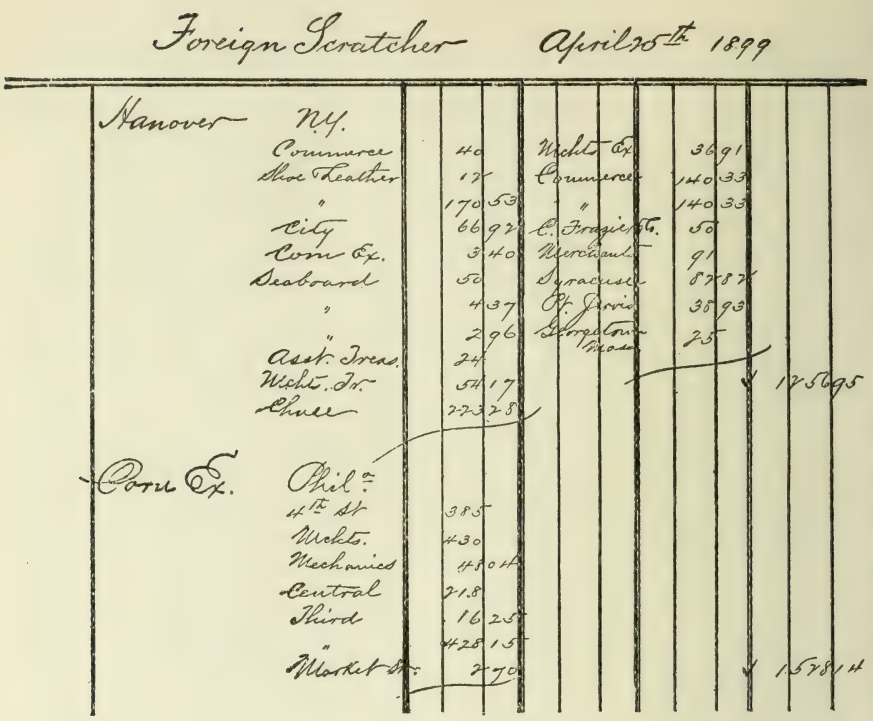


FIG. 33.

tative account, called bank ledger, is kept upon the general ledger, just as a representative account for the individual or deposit ledger is kept, called individual ledger. And while being generally considered a part of the general ledger department, they are in reality a separate department, as much so as the individual ledger.

As in most instances these accounts are kept on the general ledger proper, or books auxiliary to it, I will treat the subject in connection with that department.

From the records of this desk, therefore, the officers, directors or stockholders of the bank should be able to obtain at any time a statement of its assets and liabilities, showing clearly what the condition of the bank is, and from its records, together with detail from the paying teller's desk, and amount of overdrafts from the individual ledger, is made up the reports of condition that are called for by the Comptroller of the Currency five times a year.

The system to be employed, and the necessary number of books for this department, depend largely upon the amount of business done. In a small country bank the system is quite simple, the necessary books being simply a journal (called cash book by some), ledger and statement book. In banks doing a larger business, espe-

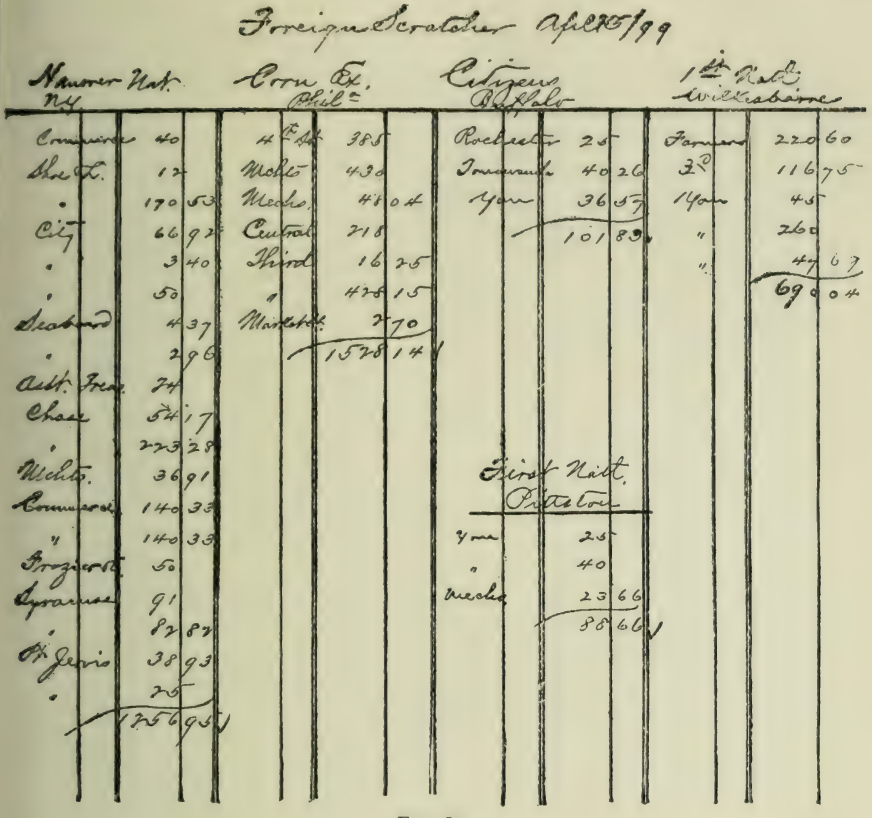


FIG. 34.

cially where there are many items with correspondents, it is found advisable to subdivide the journal, using a book called the foreign scratcher, in which are entered during the day the various checks upon foreign banks that have been received, and are to be sent away to the correspondent and collecting banks; thus this detail is entered only in the scratcher and the aggregates carried into the journal.

I give here in Fig. 33 a good form for a foreign scratcher, one that is much in use. Fig. 34 shows another style much liked by many.

Some banks make it a rule to record the names of the drawer and endorser as well as of the bank on which the check is drawn. This, of course, takes more time and space in making the entries in the scratcher, but there is no doubt that it makes a very complete record, and one that may be of considerable value in case it be necessary to obtain duplicate checks, as has occurred more than once in my own experience, in consequence of railroad accidents in which the mail was destroyed by fire.

General Journal Apl 15th 1899 Cr.

13V	Hanover Nat. Coll. a/c 4/17		1279	31	70	Ind. Deposits			70	02 60
180	Corn Ex. Phila Coll. a/c 4/17		976	80	26	Trans "		167	33	
104	Binghamton Trust 4/12		439	66	10	Bills Discd as per Ledger		776	64	
108	B.N. Nelson & Son 4/17		77	77	206	Discount Rec'd		13	74	
48	Citizens Buffalo 4/17		10		201	Exchange a/c Hanover Nat.		22	5	
50	1st Wilkesbarre 4/17		765	46	220	Certified Checks as per Cert. Bk.		50		
112V	Shoe & Leather N.Y. 4/17		475	13	240	Cert. of Depo. as per Cert. Reg.		100		
5V	1st Carbondale 4/17		8		32	Hanover Nat Drafts drawn		713	34	
54	M. & M. Carbondale 4/17		155	70	40	Corn Ex. Phila Drafts drawn		250		
58	Honesdale Nat. 4/17		37	01	210	Cashier a/c F.T. Dodge		900		
64	Nat. State Binghamton 4/17		141	90		J.K. King		130		
116	Wyoming Valley Tr. Co. 4/17		418	96						
66	1st Montrose 4/17		253	37						
94	1st Pittston 4/17		69	14						
100	Farmers Bloomsburg 4/17		799	07						
120	Peoples Wilkesbarre 4/17		19	61						
90	Citizens Syracuse 4/17 Ex		223	28						
				74						
32	Hanover Nat. Exchange			51						
108	B.N. Nelson & Son Pro. Browning fees		30							
				159						
87V	Citizens Jamestown Chapman & Hall		143	11						
8	5% Redemption Fund Cy. fit for Cir.		340					13	13	37 70 02 60
			6101	08				6	10	108 19 23 36
								19	23	345 39 75 06

FIG. 35.—LEFT-HAND PAGE.

Dr. General Journal Apl 25th 1899

37	Hanover Nat. N.Y.	1	756	98	70	Ind. Deposits				28	625 06
40	Corn Ex. Phila	1	525	14	76	Time "		293	99		
48	Citizens Buffalo		101	83	10	Bills Discd. a/c per Bks. Reg.		389	46		
50	1st Wilkesbarre		690	04	101	Exchange a/c Hanover			58		
51	1st Carbondale		70	90		Honesdale			10		
54	M & M "		76	94		Syracuse			74		
58	Honesdale Natl.			4	110	Cashier a/c F. T. Dodge		90			
62	Nat. State Binghamton		107	61		1139 D. R. English			8		
66	1st Montrose		99	91	220	Certified Check J. Otis		27	5		
68	2d Wilkesbarre		45	69		C. W. King			10		
74	1st Pittston		88	66	54	M & M. Carbondale W. H. Williams			75		
78	1st Towanda		33	89							
82	Citizens "		64	53	240	Cert. of Deposit 8106 J. B. Brown			75		
86	Peoples Wilkesbarre		45	71		1044 S. B. Smith			25		
90	Citizens Syracuse		79	67							
94	Liberty Nat N.Y.		500		130	Expenses a/c Sub. to Bankers Mag			5		
100	Farmers Bloomsburg		19	01		Reynolds Bros bill 3/31		12	75		
104	Binghamton Trust		37	55		Expenses on Redemption			60		
								7	755	93	28 625 06
			504	98				5	049	98	1 230 591
								12	705	91	4 093 097

FIG. 35.—RIGHT-HAND PAGE.

The items for the scratcher are obtained from the teller's desk, most often from the receiving teller, and from the collection desk. After having been entered upon the proof book, they are assorted according to the banks to which they are to go, and are then entered under their proper heads in the scratcher. By keeping the items closely written up during the day the work is in such condition that when the bank's doors are closed it is only necessary to foot the scratcher and carry the totals to the journal.

Form and Description of Journal.

The journal is the main book of original entry. In this book all the business of the day is gradually concentrated, preparatory to being posted to the proper accounts in the ledger. In making the entries in the journal, where specific items are entered, it is wise to give such a description of them that they can be easily traced if necessary.

Fig. 35 shows the usual form for a general journal (or cash book). I give here a full day's work showing both sides of the journal. The scratchers show only the items of the first few debit accounts, which is sufficient to exhibit the working together of these two books.

In Fig. 36 will be seen a form for a general journal, which has been introduced by the writer to many banks and has been much liked. Its chief advantage is that one set of names acts for both charge and credit items. The aid of the printer is often obtained in making this book, the names of the permanent accounts being printed in, leaving spaces for the writing in of any transient accounts. The blank columns on the right and left of the names are for the ledger paging in posting. It will be noticed that the amounts for banks are placed in a column by themselves; this arrangement, I think, will always be found of benefit, very materially assisting in case of reference at any time. The work on this form has been much abbreviated, simply enough being given to show the method.

The entries on the journal should of course represent actual transactions. No fictitious entries would be allowed in a bank honestly managed.

The journal page marked Dr. represents charges to the various accounts, and a credit to cash account of the total. The charges to the various banks are the items that have come in through the individual deposits or by mail upon these foreign banks or upon some of their correspondents for whom they collect; and, being entered during the day in the foreign scratcher, are at the close of the day carried by aggregates to the journal, as mentioned above.

The charge to individual deposits and to time deposits comes from the individual ledger desk and represents the individual checks and

General Journal

Dr. April 25th 1899 Cr.

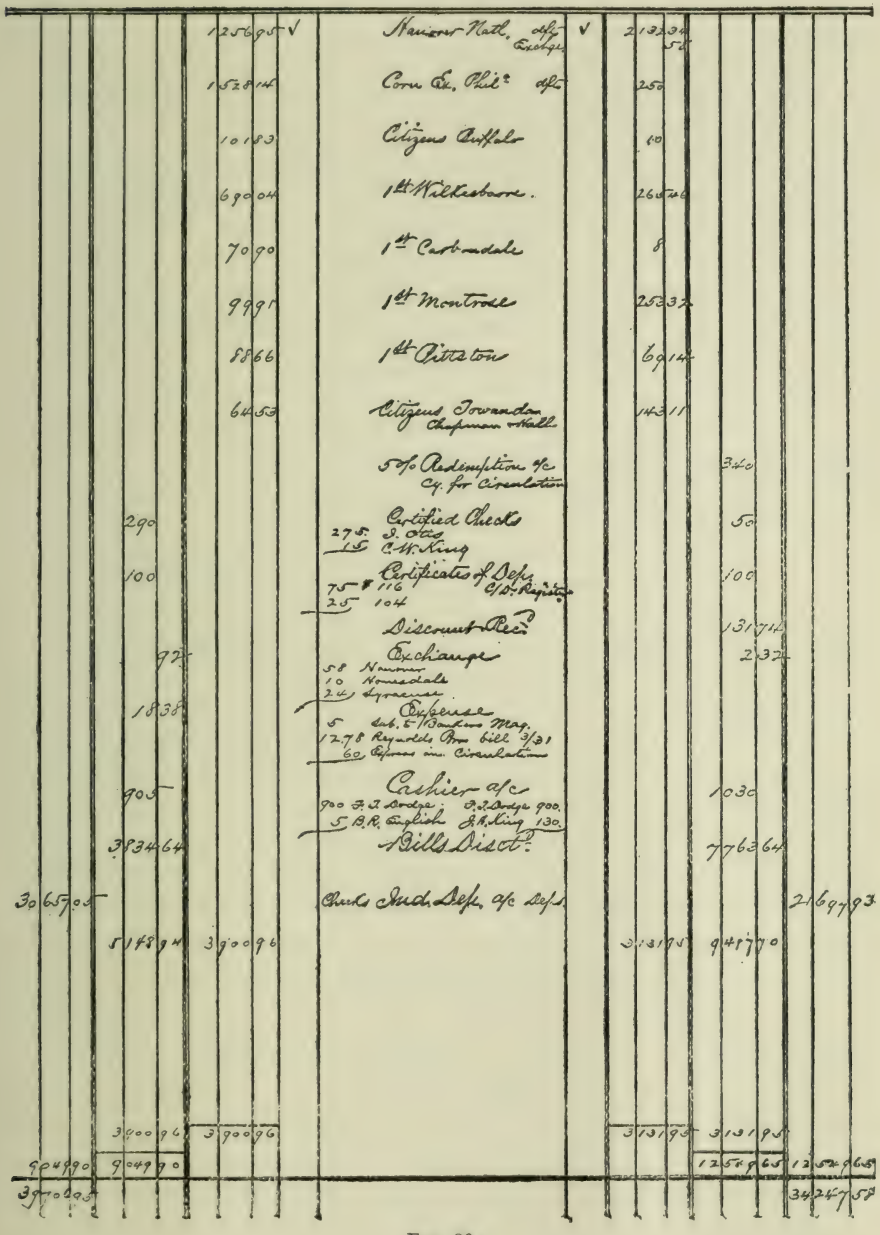


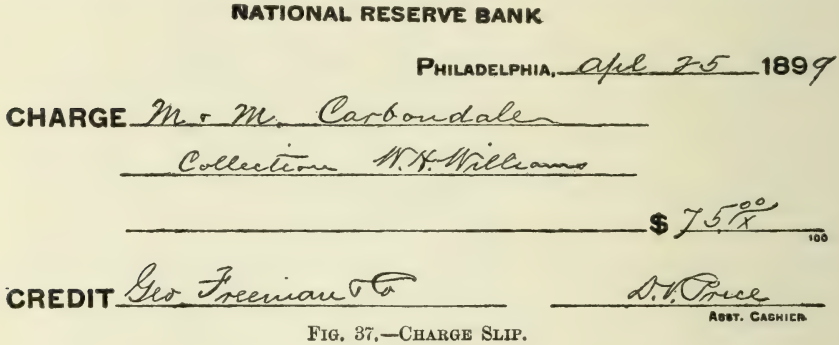
FIG. 36.

various charge items charged against the individual depositors' accounts.

The charge against bills discounted represents the loans made by the bank during the day, and is the amount shown by the discount register.

The charges to exchange account represent exchange charged to the bank by other banks, these having been credited to the other banks on the page marked Cr.

The charges to Cashier account, certified check account and certificates of deposit represent checks and certificates paid and entered here in detail because it simplifies the keeping of these accounts correctly to have the credit items posted in detail when they occur, and to post the debits against their corresponding credits. By this method one can always tell what items are outstanding and unpaid.


NATIONAL RESERVE BANK

PHILADELPHIA, April 25 1899

CHARGE M. & M. Carbondale

Collection W. H. Williams

$ 75.00

CREDIT Geo. Freeman & Co

D. V. Price
ASST. CASHIER

FIG. 37.—CHARGE SLIP.

In very large banks where the volume of business is heavy, this detail is kept in registers prepared for the purpose, descriptions of which will be given later on.

The charge to "Carbondale $75" represents a collection item which the bank at Carbondale had collected for one of the bank's depositors. The Carbondale bank reported the collection but did not remit, consequently its account is charged with the amount and the credit to the depositor is made through the individual ledger.

The general ledger bookkeeper obtains his vouchers for this charge, and for the charges to exchange mentioned, from the Cashier by means of a charge slip (see Fig. 37).

The charges to expense account, as shown, are made from the bills that have been paid and endorsed by the Cashier. Many expense items are for so trifling amounts that no bills accompany them. Items of this character, are, having been first acknowledged by the Cashier, generally entered in a small memorandum book, called a petty expense book and carried by the paying teller in his cash among his cash items until the end of the month, when they are

charged up in lump to expense account by means of a charge slip made by the Cashier.

Expense items in the shape of salaries should come from the pay roll book. This book becomes an important voucher and receipt for the payment of the salaries, and when marked O. K. by the Cashier, or a charge slip given by him for the total amount, is ready to be charged to salary account.

On the credit side of the journal are seen various items to banks representing remittances in settlement of collection items or balances; the aggregate of deposits made by individual depositors; the aggregate of loans that have been paid; the amount of discount and exchange received; and the amounts of certified checks, certificates of deposit, drafts, and Cashier's checks issued.

The bookkeeper would have the letters enclosing the remittances, or the proper credit tickets, after having been marked by the Cashier, from which to make these entries; the total of deposits he would get from the receiving teller; the amount of loans paid from the note teller or tickler; and the amounts of the certified checks, certificates of deposit, drafts, and Cashier checks from their respective registers.

The item of discount comes from the discount register and exchange from the draft register.

It will be seen that the general bookkeeper makes his entries from actual transactions, and he should always make them from the completed transactions entered in a regular book of original entry or from some voucher or letter duly authorized by the Cashier, or by some officer of the bank empowered to do this.

He should have some authority for entering every transaction before placing it upon his journal.

A good plan adopted by many banks is to have a report, which, being passed from desk to desk, is filled out with the aggregates needed from these departments, by those having charge there, and then comes to the general bookkeeper. From this report he makes the entries. The following is a good form for such a report:

April 25, 1902.

Individual deposit account (checks)	$28,625.06
" " " (deposits)	20,025.60
Time " " (checks)	2,031.99
" " " (deposits)	1,672.33
Bills discounted, Dr	13,834.64
" " Cr	9,763.64
Drafts drawn, Hanover	2,132.34
" " Corn Exchange	250.00
Discount, Cr	131.74
Exchange, Cr	2.32
Cash balance	59,752.18

After the items have all been entered in the journal, and the work footed, and the balance struck and found to agree with the cash on hand as shown by the paying teller, then comes the posting of the items into the ledger to their proper accounts.

Various styles of ledgers are in use. First of all the old-fashioned debit and credit ledger used by the fathers of most of us and the grandfathers of some. Used at a time when the transactions in banks were comparatively few to what they are to-day, these ledgers seemed all that was necessary. The first improvement was seen in the introduction of the balance ledger, between thirty-five and forty years ago. By some this has been called the Cincinnati ledger, because it first appeared in use in the banks in that city. It has been and is a great favorite, very many banks preferring it now to any other style. The ease with which the balances of the accounts

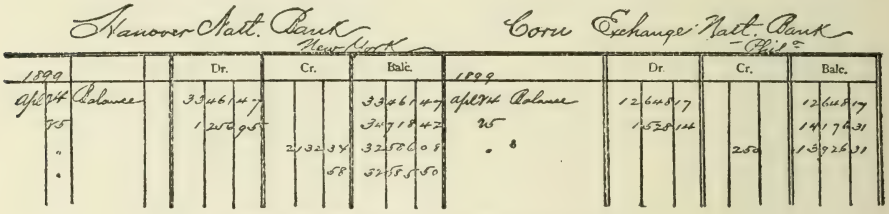


FIG. 38.—CINCINNATI OR BALANCE LEDGER.

can be kept, and the general condition of any of the accounts, for any specified period, learned at a glance, certainly make it a very useful form.

Fig. 38 shows this style of ledger.

The balances shown here being debit balances should appear in red ink to distinguish them from credit balances, which should be made in black ink.

Another style of ledger much used is similar to what is called the Boston ledger. In this ledger the names are written, or printed, sometimes down the left-hand side of the page and sometimes down the middle of the page, the advantage of the latter plan being that in entering the amounts the eye does not have so far to travel across the page. The pages are divided into daily sections, each page generally containing three days so that a week's work would be comprised upon two pages.

Each day is ruled with a debit, a credit and a balance column, sometimes with two balance columns. In this latter instance the two balance columns become in reality a balance sheet, when the balances of the accounts are extended in them.

Fig. 39 gives a ledger of the kind mentioned. The names in this instance are in the middle of the page. The extreme left-hand page

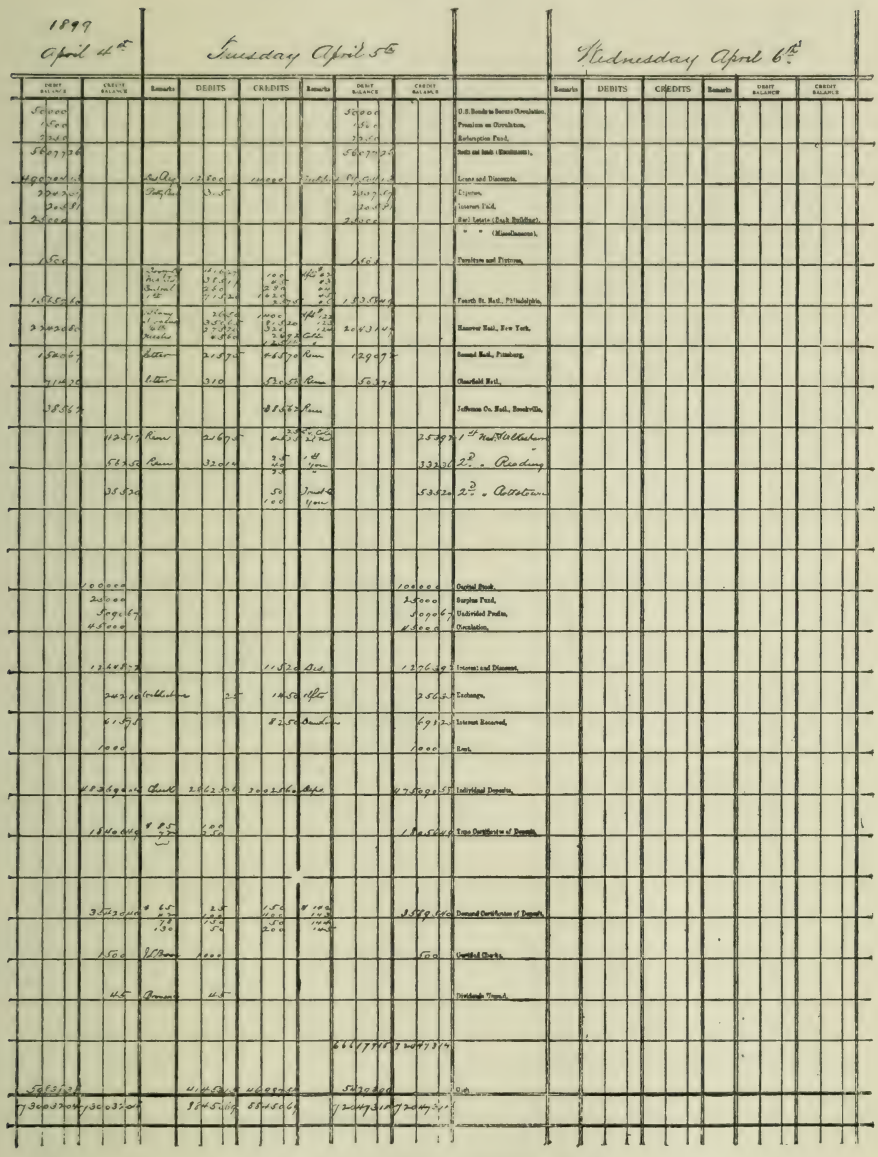


FIG. 39.—MODIFIED BOSTON LEDGER.

shows the balances brought over from the previous page. For convenience the paper is creased at the continuous blue dividing line between the columns credit balance and remarks on the left side of the page, so as to enable it to be readily folded back and make it much easier in transferring the balances.

In this form the journal can be used or not, as the use of the col-

Debit Journal

Debit Bank Accounts March 15th 1899

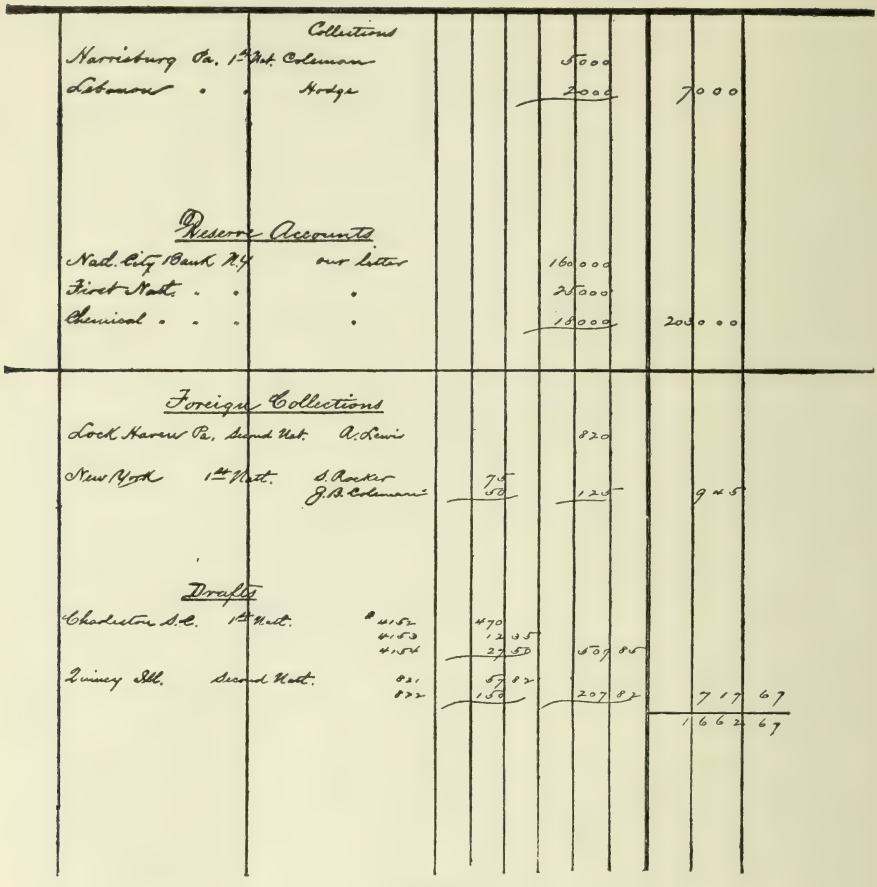

Collections
Harrisburg Pa. 1st Nat. Coleman 5000
Lebanon . . Hodge 2000 7000
Reserve Accounts
Nat. City Bank N.Y. our letter 160000
First Nat. . . . 25000
Chemical . . . 15000 200000
Foreign Collections
Lock Haven Pa. Second Nat. A. Lewis 820
New York 1st Nat. S. Rockw G.B. Coleman 75 50 125 945
Drafts
Charleston S.C. 1st Nat. #1152 470
#1153 1235
#1154 2750 5075 85
Quincy Ill. Second Nat. 921 57 82
922 150 207 82 717 67
1662 67

FIG. 40.

umns called remarks enables one, in a measure, to describe the entries. A great improvement, however, could be made by having the remarks column made wider; otherwise I would recommend the doing away with it entirely and using the journal, posting from the journal to the ledger as in the former cases described. The term rem. stands for remittance. In some instances reference is made to the letter for the items. To this I object, as I think it always preferable to have the items on some one of the regular books of entry, either scratcher or journal, and the letter book can hardly be called a record book, properly speaking. Still, this will be found a useful form, especially for small or moderate sized banks, particularly if the improvements mentioned be considered.

In large city banks, with a heavy volume of business, of course it becomes necessary to subdivide the books mentioned. In one bank I have in mind, where there are over six hundred foreign bank accounts, and each day's work covers about thirty pages of the journal, they keep a debit journal for all debit items and a credit journal for all credit items. The accounts of banks are classified alphabetically as follows: A to C, D to K, L to Q, and R to Z, and a separate journal used for each classification. These debit and credit journals are in fact foreign scratchers and consist of loose sheets,

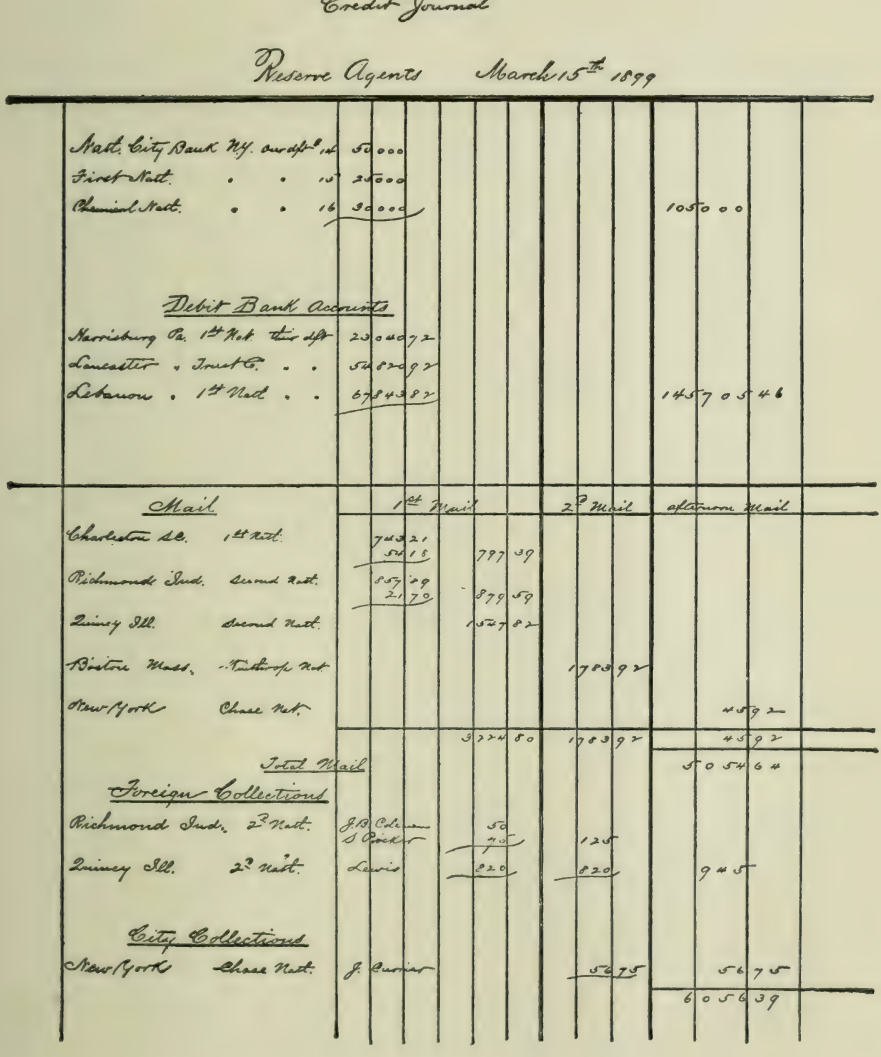


FIG. 41.

FOREIGN COLLECTIONS.

NATIONAL RESERVE BANK

To New York City First Nat'l Bank

Payer J Rocker $75.00

Where Payable New York City

Date March 1/99 Time 15 days Due Mch 15/99

Depositor Richmond Ind.

No. 25 Nat'l

Date

No Protest.

Date Credited or Returned, Mch 15/99

FIG. 42.

Dr. General Journal March 15th 1899

Demand Loans											40	000	
Bills Discounted Collateral											21	000	
Bills Discounted											5	000	
Foreign Bills											7	500	
Exchange & Interest		Banks										25	
Expense acct												54	30
Discount acct		Rebate										17	50
Cashier acct													
First Teller's Due Bills			14	620	18								
			3	000									
			14	213	18	21	833	32		21	833	32	
Fourth St. Nat. Bank drafts		$170					670				670		
Certified Checks		74					96				96		
Certificates of Deposit		160				12	000			12	000		
5% Redemption Fund													
		Total Biennial Accounts								108	193	17	
Reserve Agents		Total								20	000		
Debit Accounts													
Foreign Checks	% Debit Bank		1	000									
			34	450		41	450			41	450		
Bank Deposits				1667	67						1667	67	
Individual Deposits										420	683	19	
										774	994	98	

FIG. 43.

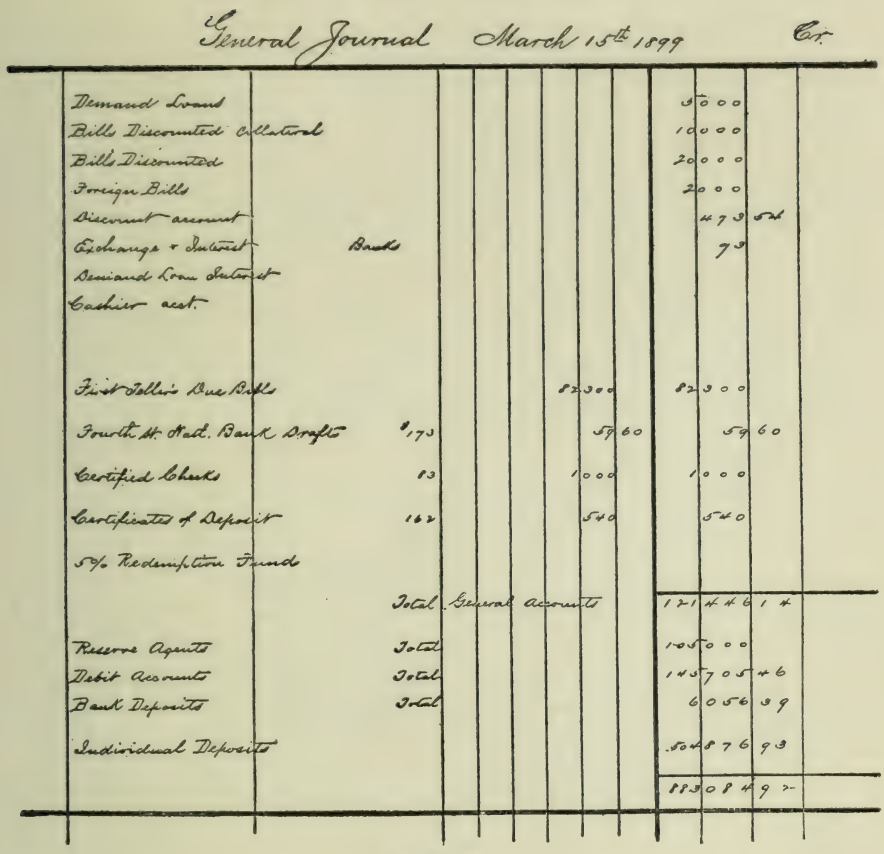

General Journal March 15th 1899 Cr.
Demand Loans 5000
Bills Discounted Collateral 10000
Bills Discounted 20000
Foreign Bills 20000
Discount account 479 54
Exchange & Interest Banks 79
Demand Loan Interest
Cashier acct.
First Tellers Due Bills 82300 82300
Fourth St. Natl. Bank Drafts 173 5960 5960
Certified Checks 13 1000 1000
Certificates of Deposit 162 540 540
5% Redemption Fund
Total General Accounts 1714461 4
Reserve Agents Total 105000
Debit Accounts Total 1457056
Bank Deposits Total 60569
Individual Deposits 504876 93
1893084 93

FIG. 44.

ruled on both sides. The keeping of these records upon sheets greatly facilitates the handling of the large number of items, by distributing the work among a number of clerks. Each day's work is kept carefully filed, and every few months the sheets are bound.

Figs. 40 and 41 show in an abbreviated form the two journals mentioned.

The entries on these journals are made from the items, with the exception of the foreign collections, which are made from slips, as is shown by Fig. 42, which come from the foreign collection desk.

After all the items are entered upon the debit and credit journals they are footed, as shown, and their aggregates carried to the general journal, as will be seen by the debit and credit pages given in Figs. 43 and 44.

Of course many items on this general journal will not be found on the debit and credit journals mentioned, as these last, as was said before, are simply scratchers and are used for the foreign bank items

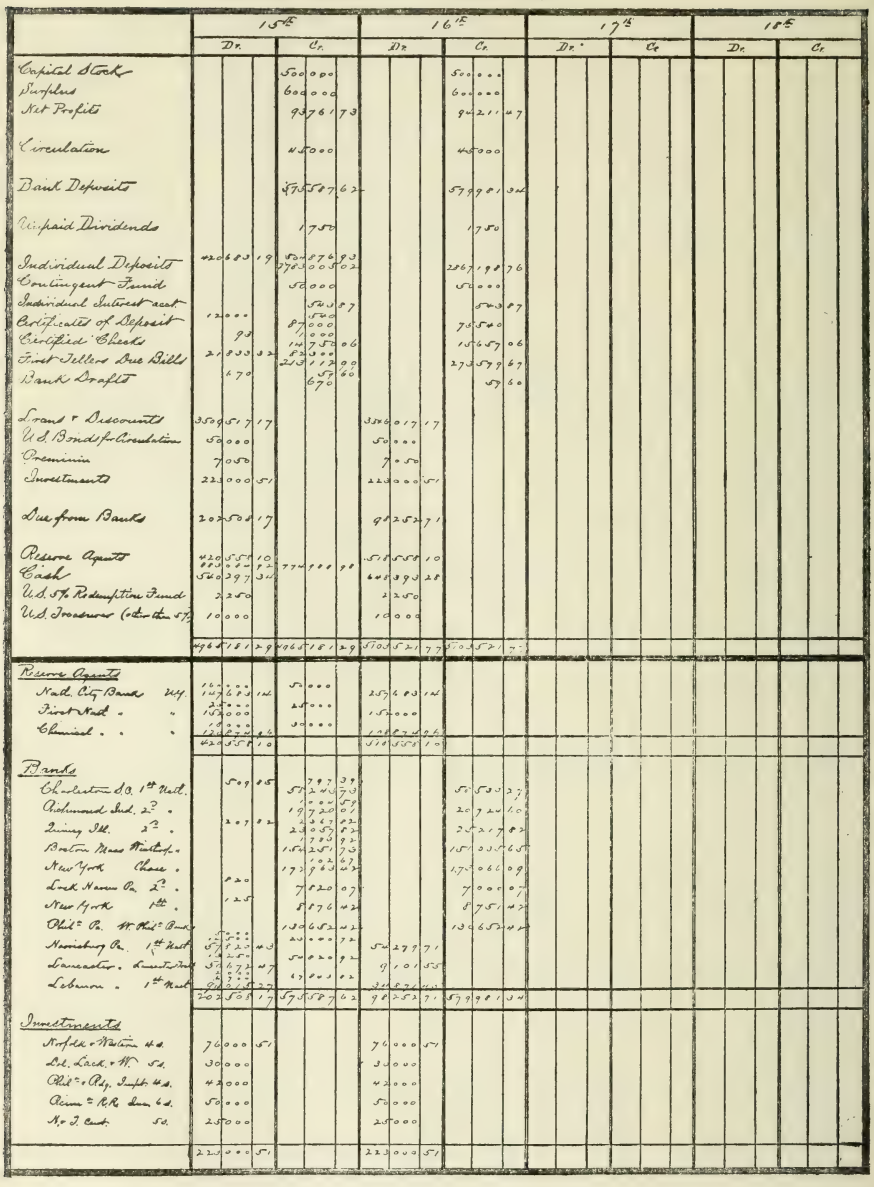


FIG. 45.—GENERAL LEDGER.

exclusively. The general journal is also kept on sheets, these being filed carefully each day and bound up every six months.

The general ledger used is also in sheets, and taken care of and treated as those before mentioned. One set of these sheets is used

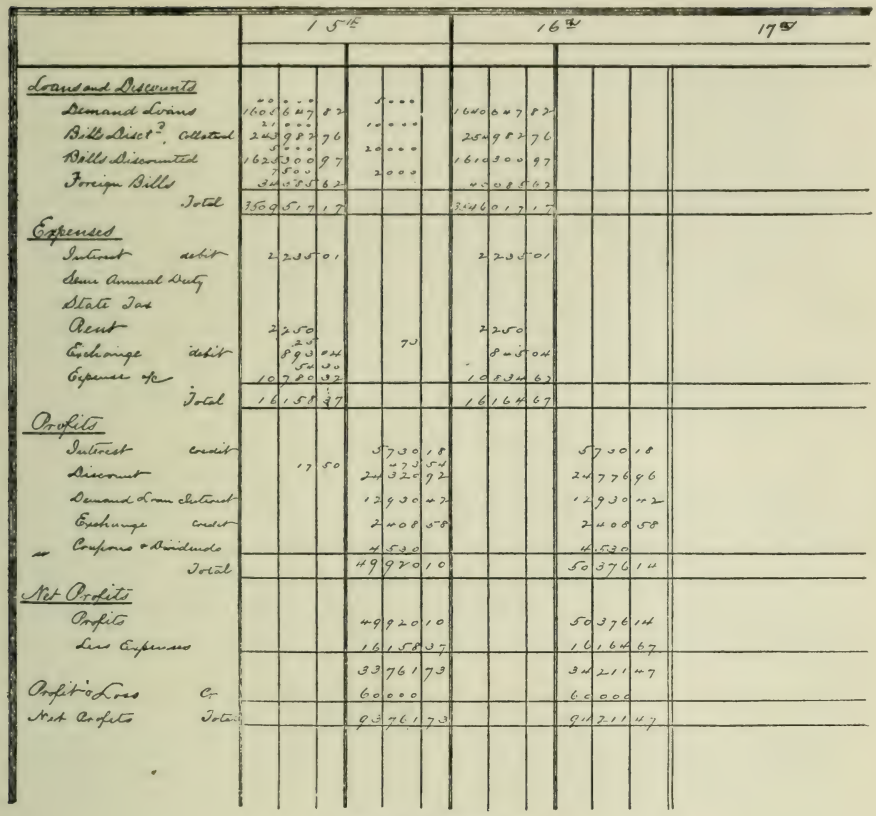


FIG. 45 (Continued).

entirely for the general accounts, and another set of sheets is used for the bank accounts.

This ledger is ruled with only debit and credit columns, the balances when brought over to their proper columns from the previous day's work forming a balance sheet of the ledger. The postings are then made, as shown, from the general journal, the amounts being posted in red ink into the debit or credit columns as they belong, the balances being carried forward in black ink. By this plan a balance column is dispensed with. Fig. 45 shows this ledger, and this together with Figs. 40, 41, 42, 43 and 44, constitute a set, through which the transactions can be traced.

Let me call attention to the individual deposit account on the general ledger, and suggest that where there is more than one individual ledger kept a separate account representing each be kept on the general ledger. Each individual ledger thus having its own representative account, differences, when they occur, will be more readily localized.

Loose-Leaf Ledgers.

I cannot leave this subject of the ledgers without saying a word regarding the custom in some banks of using loose sheets. The opportunity that is here presented to cover fraudulent or irregular transactions is so great that I feel no bank should bring such a temptation within its doors. While it is no doubt a fact that the majority of bank officers and employees are honest men, yet, in an institution such as a bank holding in its possession the property of other people, all the elements of temptation should be minimized as far as possible. From my personal experience in this matter I must give it as my opinion that firmly bound books will be found the safest for all the permanent bank records.

Items in Transit.

A certain class of items pass through the general desk which are considered cash items, or cash collections, that is miscellaneous items, mostly checks, on various banks with which the bank itself keeps no account, and for which prompt remittance is expected. With small banks where the items are few, they are entered on the general journal and charged to an account in the general ledger

DEC 4 - 1901 857

REGISTER OF BILLS IN TRANSIT.

ON WHOM DRAWN.	ENDORSER.	TO WHOM SENT.	AMOUNT		H. CLASS	DATE OF PAYMENT
Central	Treas	Oakland Cal.	5	20		
Bk of	F. J. Sloan	Alameda Cal.	7	05		
Bk & Tr	D Clothing Co	Walsenburg	49	96		
1st		Central City		50		
"		Idaho Springs		20		Rtd. 12/11/1901
A. Nat		Wichita Kans.	19	09		DEC 11 1901
Comm.			29	10		DEC 11 1901
Trans Sch. Dist		Butte, Mont	19	17		DEC 11 1901
"			36	40		
A. Nat				20		
Bk of		Kans. City	2	43		DEC 11 1901
B&K			4	52		DEC 11 1901
Bk of			31	06		DEC 11 1901
State			44	34	5	DEC 9 - 1901
Fo Mer			46	25		DEC 9 - 1901
D.			2	22		DEC 11 1901
1st				7		DEC 11 1901
N. Bkg. Co.			49	76	85	DEC 11 1901
			61	39	64	

Fig. 46.

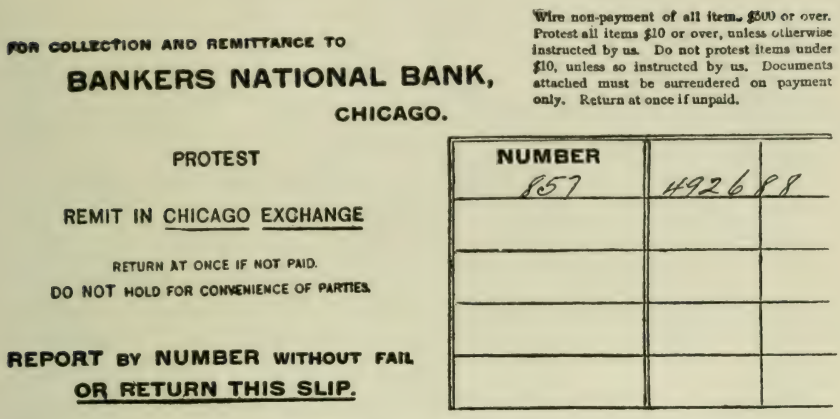

FOR COLLECTION AND REMITTANCE TO
BANKERS NATIONAL BANK,
CHICAGO.
Wire non-payment of all items $500 or over. Protest all items $10 or over, unless otherwise instructed by us. Do not protest items under $10, unless so instructed by us. Documents attached must be surrendered on payment only. Return at once if unpaid.
PROTEST
REMIT IN CHICAGO EXCHANGE
RETURN AT ONCE IF NOT PAID.
DO NOT HOLD FOR CONVENIENCE OF PARTIES.
REPORT BY NUMBER WITHOUT FAIL
OR RETURN THIS SLIP.
NUMBER
857
492688

FIG. 47.—LETTER OF ENCLOSURE.

called sundry banks, the items being charged separately, and the credits, when payment is received, being entered in the account opposite their respective charges. Some large banks where several hundred of such items are handled daily, use sheets, and charge them up the same as any other bank items, charging the items in groups to some active bank at, or comparatively near, the points of a large number of the miscellaneous items. Thus a bank in Kansas City will collect from sundry miscellaneous banks throughout several of the adjoining States; Butte, Montana, will collect from sundry banks throughout that section; San Francisco will collect California items, etc. It is, however, generally the custom for these banks to charge such items in aggregate daily to a representative account on the general ledger, such as bills in transit, or sundry banks. The detail is kept on registers or scratchers. Fig. 46 shows such a register.

The items, as they come from the various departments, are listed in the register. They are then sent to the banks with a brief letter of enclosure, of which Fig. 47 is a form. This form, as will be seen, calls for settlement in Chicago exchange; another printed on paper of a different color is sent to those banks from which a remittance is desired in New York exchange. The letter has a number, which is the page number of the register. This number is applied to every item on that page, and assists in tracing.

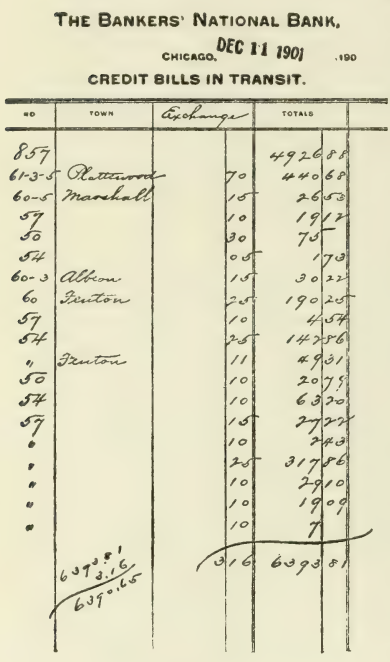
At the close of the day the register is footed and must compare with the total of the items made on the adding machine. This total goes to the general ledger desk and is charged to bills in transit, its representative account in this case.

When remittances are received for the items the letters and checks are turned over to this department. The credits represent-

ing the face of the items are listed on a credit slip, which, to distinguish it, is printed in red. Fig. 48 shows such a slip.

The numbers as seen in the left-hand margin are abbreviated, only the first one being in full. These numbers are taken from the letters, also the items of exchange.

The exchange, where any has been deducted, is entered in its respective column. The total of this exchange column deducted from the column of totals should equal the amount of the face of the checks received in settlement, as shown by the proof at the bottom of the slip. The slip after being proved goes, in connection with the checks, to the teller, and from there goes to the general bookkeeper who credits bills in transit the total of the slip and charges exchange account with the exchange.


THE BANKERS' NATIONAL BANK,
CHICAGO, DEC 11 1901 190
CREDIT BILLS IN TRANSIT.

NO	TOWN	Exchange	TOTALS
857			4926 88
61-3-5	Rattlewood	70	4406 88
60-5	Marshall	15	2653
57		10	1917
50		30	75
54		05	173
60-3	Albion	15	3022
60	Euston	25	1902 25
57		10	457
54		25	14256
"	Euston	11	4931
50		10	2079
54		10	6320
57		15	2722
"		10	243
"		25	31786
"		10	2910
"		10	1909
"		10	7
		316	63938

6393.81
3.16
6390.65

Fig. 48.

The items on the register that have been paid are then stamped from the letters, with a hand stamp, giving the date of payment, and the letters receive the same stamp. Returned items are marked so on the register and the general account credited. About once a week a proof is made of the outstanding items by listing them with the adding machine, and the total should agree with the balance as shown by the bills in transit account.

Vouchers for Entries.

Before making entries in the general books of a bank it is a wise policy to have some sort of a voucher for each transaction, and these vouchers should be explanatory.

Charge and credit slips or tickets are much used in some banks as a convenient form of voucher, especially for making transfer entries. Some banks, however, prefer a book called a charge and credit book. One advantage of this book is that it becomes a permanent record which is not easily lost or misplaced. The slips are usually made out by the Cashier, or Assistant Cashier, then the entry is made in the charge and credit book from the slips, and they are passed on to the tellers or collection clerks, to whichever department

Charge

Date	To whom Charged	Description	Exchange	General Ledger	Individual Ledger
1899					
April 25	Fulton Nat. Lancaster	Transfer of funds		450	
" "	" "	Cost Nanticoke		5	
" "	Mr M. Carbondale	Colln. W. H. Williams		75	
" "	L. L. Johnson	Colln. A. J. Jones			165
				530	165

FIG. 49.—CHARGE AND CREDIT BOOK.

Credit

Date	To whom Credited	Description	Exchge	General Ledger	Individual Ledger
1899					
April 25	Chase Nat. N.Y.			450	
" "	Exchange		5		
" "	Geo. K. Smith	Colln Williams	25		74 75
" "	4th St. Nat. Phila	" Johnson	50	16.1 50	
			5 75	61 450	74 75

FIG. 49 (Continued).—CHARGE AND CREDIT BOOK.

the transaction belongs, who hold them among their vouchers. The general bookkeeper and individual bookkeeper make their entries direct from this book, the individual deposit account on the general ledger being charged or credited correspondingly with the total amounts in the individual ledger columns.

Sometimes no slips are made, the entries being made direct from letters, or by the collection clerk.

Fig. 49 gives the form of the charge and credit book most commonly used. This represents two adjoining pages.

Fig. 50 shows a credit and charge ticket which is used through the cash desks chiefly, and comes to the general bookkeeper from

NATIONAL RESERVE BANK

PHILADELPHIA, April 25 1899

CREDIT Chase Natl Bank, New York $450 00/100

Transfer of funds Four hundred & fifty DOLLARS

CHARGE Lancaster Pa.
Fulton Natl. Bank

D. V. Price
ASS'T CASHIER

FIG. 50.—CREDIT AND CHARGE SLIP.

those departments. As the slip is here shown filled out, it explains itself.

Another form (Fig. 51) is made with a stub, and bound in a book. This form is used for the kind of transaction shown. By keeping

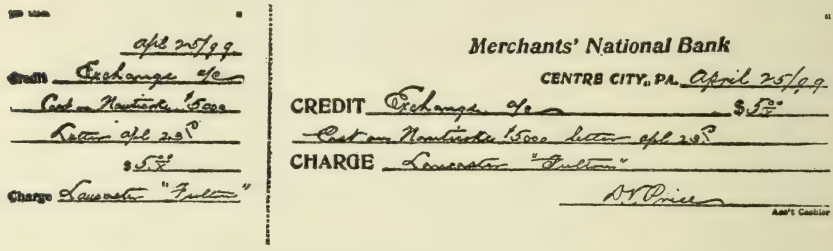


FIG. 51.—CREDIT AND CHARGE SLIP.

a record of it on a stub it is less liable to be overlooked, and when the accounts current are made out there is a double check upon these items.

Another form of slip will be seen in Fig. 52. This is also bound in a book and used with a stub. The slip being filed with the letters of the correspondent bank, and attached to the letter referring to

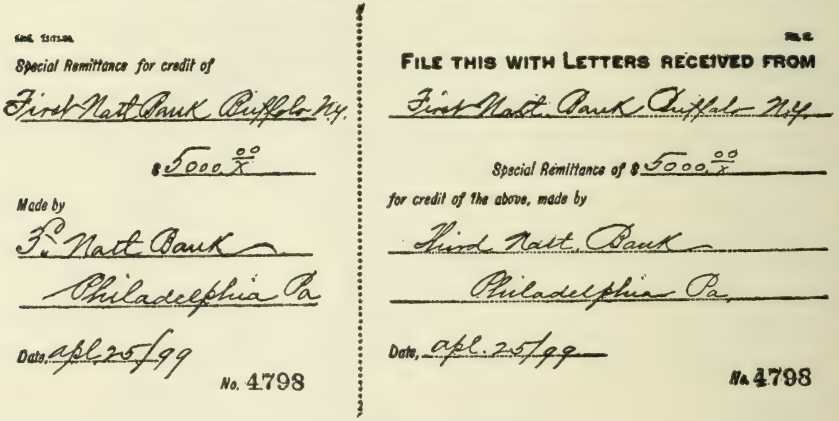


FIG. 52.—CREDIT SLIP.

the matter, the stub is used from which to check back or prove the entry upon entering it in the account current. In the case shown it is supposed that a letter came from the Third National Bank, of Philadelphia, enclosing a draft on New York for the credit of the First National Bank, of Buffalo. The latter-named bank being the correspondent bank, the slip is fastened to the letter and both are then filed with the letters from the Buffalo bank. It makes a very quick and ready reference, and is found to be of considerable assistance, and a time-saver, in a busy bank.

Another style of slip is seen in Fig. 53. This is used in special cases such as the one shown on the slip. The slip is gummed on the under left-hand edge. In the case shown Mr. Baxter would present a letter to the Cashier with the draft or currency; this ticket is then

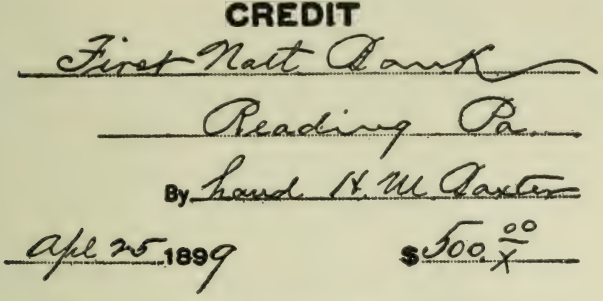


FIG. 53.—CREDIT SLIP.

made out and fastened to the letter; it then goes to the receiving teller with the money, and from him to the general bookkeeper.

THE GENERAL SETTLEMENT BOOK.

The next book of importance for the general desk is the general settlement book. In this the general bookkeeper summarizes the various transactions under their proper heads, and the total of each side gives the debit or credit to cash, which when posted to the cash account, should give the balance, which should be accounted for by the paying teller's cash balance.

This book in this form is, however, seldom used except in large city banks, the general journal in its totals supplying its place in the majority of banks.

The form here shown (Fig. 54) is the one in use by some large banks as shown by the set, Figs. 40 to 45, and will be found to conform to the business transactions shown in that set.

DAILY STATEMENT BOOK.

As has been said, the general ledger shows the condition of the bank and its affairs at the close of each day, but, especially in a busy bank, unless a history of this condition can be condensed so as to be readily referred to by the Cashier and officers of the bank, endless trouble will result. The officers should be able to know readily what the receipts and disbursements of the bank have been; if its business is increasing or decreasing, and if so, where and how; what is owing to the bank, and how much the bank owes; if it is making or losing money; the condition of its reserve, and of its cash account.

Dr. General Settlement March 15th/99 Cr.

Cashiers Journal,						Cashiers Journal,					
Loans and Discounts,		73	500			Discount			473	54	
						Discount Exchange,					
						Cashiers Account,					
						Loans and Discounts,		37	000		
						City Notes,				56	75
Foreign Bills,						Foreign Bills,					
Foreign Notes,		87	65			Foreign Notes,			9	45	
						Foreign Notes Exchange,					
Exchange,			25			Exchange,			73		
First Tellers Checks,	34	56	65	79		Paying Tellers Amount,	82	30	0		
Foreign Checks,	34	45	0			Receiving Tellers Amount,	257	35	97	0	
New York Checks,	203	000									
Individual Ledger Amt.,	420	68	3	19		Individual Ledger Amt.,	504	87	6	93	
						Discounts,					
						City Notes,					
						Foreign Notes,					
						Receiving Teller,					
	771	98	5	98			823	08	4	92	

FIG. 54.

To enable them to arrive at the facts promptly a book called a statement book, or daily statement book, is kept. In some small country banks this book is written up weekly, and while this may apparently answer, I think it will be found more satisfactory to have the statement made daily. In banking, as in all other lines of business, the more closely the business can be watched the better for all concerned, and the daily statement book is an efficient aid to this end.

Fig. 45 may be considered in a measure, a daily statement, as well as ledger. Still it is usually more convenient to have a separate book, which, after being filled out by the bookkeeper, can be kept on the Cashier's or President's desk for reference.

The daily statement is made out from the ledger after the completion of the postings of the day's business, and should in reality be a balance sheet from that ledger and a proof of the work. I have

seen instances where the daily statement book was made up from the general cash book, the items on the latter book being either added to or deducted from the previous balance to make the new balance, the general ledger in the mean time having been utterly ignored, no postings having been made for quite a period. This was entirely wrong, for the general ledger is the main book, and should be posted daily, and the statement book written up from it.

Many forms of statement books are in use, Cashiers generally adopting something that will suit their ideas. A good plan, however, is to have the statement book conform in its items, and the arrangement of those items, as nearly as possible to the arrangement set forth in the report of condition which must be furnished at stated periods to the Comptroller of the Currency or the State banking department.

In Fig. 55 will be found a very complete form for a daily statement book. It exhibits three days on a page so that on two adjoining pages the whole six days can appear, the resources on one set of pages and the liabilities on the next. Some use it by showing only three days together, having the resources on the left-hand page and the liabilities on the right-hand page, it being often found convenient to have them on adjoining pages for comparison.

Some again use this form without showing the list of banks as seen on the lower portion of the sheet, filling up that space with the other three days of the week. In that case it becomes necessary for the bookkeeper to figure out his due to or due from other banks to obtain his aggregates to enter in the statement. Then again it is often very important for the Cashier to know what banks owe his bank, and to what banks he is in debt, so that I think the form as shown will be found to be more complete.

Fig. 56 gives the two adjoining pages of a daily statement book in use by the same large bank before mentioned, and corresponds with the set seen in Figs. 40 to 45. In this statement nothing is entered below the thousands. This is more of a book of daily reference for the Cashier, and not only gives him the condition of his bank in gross amounts, but also shows him what and when the balances due to other banks are to be paid, as is seen by the six week-day spaces on the right-hand page. This plan will often be found of great assistance to a busy Cashier, for it is apparent if he can see what must be done six days in advance it enables him to plan for it with some degree of certainty. Of course in obtaining the figures for a report of condition this statement could only be used in a general way or as a guide, as it does not give the amounts in full.

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Merchants' National Bank CLOSE OF BUSINESS

May 1/99 MONDAY TUESDAY WEDNESDAY

LIABILITIES																								
Capital Stock				1	250	000																		
Surplus Fund					75	000																		
Profit and Loss		509	067																					
Exchange		242	11																					
Rent Account		1262	15																					
Interest Received		2176	39																					
Discount Received		11461	44		20	232	75																	
Circulation					180	000																		
Dividends Unpaid						45																		
Individual Deposits Sub. to Ch'k.	48	367	004																					
Time Deposits	40	840	649																					
Certificates of Deposit	1	177	538																					
Cashier's Checks, outstanding		407	758																					
Certified Checks		32	532		90	825	411																	
Due to National Banks					14	960	55																	
Due to State Banks and Bankers					3	705	98																	
Due to Reserve Agents																								
Notes and Bills Rediscounted																								
					145	219	39																	
Bank Balances						650	52																	
Individual Deposits					90	825	411																	
Total Deposits					90	890	533																	
Less Exemption from Reserve					19	465	23																	
Liability for Reserve					81	944	10																	
National Banks.																								
Lock Haven 1st Nat.		356	225																					
Media Charter.		57	575																					
Norristown Merch'ts		286	015																					
Wilkesbarre 2d Nat.		282	270		1	496	85																	
State Banks & Bankers																								
Indiana Farmers		196	572																					
York City		174	026		3	705	98																	
Reserve Agents																								
New York Chase																								
Phila. 4th St.																								

FIG. 55.—DAILY STATEMENT BOOK.

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STATEMENT OF CONDITION,

May 1/99 MONDAY TUESDAY WEDNESDAY

| RESOURCES | | |

Left hand page.

Daily Statement March 4th 1899

Demand Loans	2950			Individual Deposits		11296		
Time Loans, Collateral	2473			U. S. Deposits		488	11784	
Time Loans	6295	11718		Bank Deposits { Banks		6379		
				Bank Deposits { N. Y.		320		
				Bank Deposits { Chicago		115	6814	
				Total Deposits			18598	
U. S. Bonds Acct. Circulation	550							
Premium	56			Less				
U. S. Bonds Acct. U. S. Deps.	500			Due from Banks		470		
Premium	20			Exchanges		1041	1511	
U. S. Bonds	100			Net Deposits			17087	
Premium	4	1230		Dividends Unpaid			9	
Other Investments		1982		Less			17096	
		3212		National Bank Notes			76	
							17020	
				Reserve				
Gold	88			Less				
Silver	10			5 % Redemption Fund			25	
U. S. Legal Tender Notes	183			Net Reserve Required			16795	
U. S. Legal Tender Certificates	1100			One Half			4249	
U. S. Gold Certificates	15						2125	
C. H. Gold Certificates	820	2216		Cash Reserve	2216	Short	Over	
				Reserve Agents	1987	138		91
Mutilated Currency	58			Total Reserve	4203			
National Bank Notes	76			Reserve Short		47		
Nickels and Cents	1			Reserve Over				
Cash Items	117	253						
Due By Clearing House		50						
Total Cash		2518						
5 % Redemption Fund	25							
Due by U. S. Treasurer	10	35						

RESOURCES			LIABILITIES			
Loans and Discounts	11718		Capital Stock	1000		
Overdrafts	1		Surplus and Net Profits	880		
Bonds and Investments	3212		Dividends Unpaid	9		
Due from Banks	470		Circulation	495		
Exchange for C. H.	1091		Deposits	18598		
Due from U. S. Treasurer	35					
Cash	2468					
Reserve Agents	1987	20982				20982

FIG. 56.—DAILY STATEMENT BOOK.

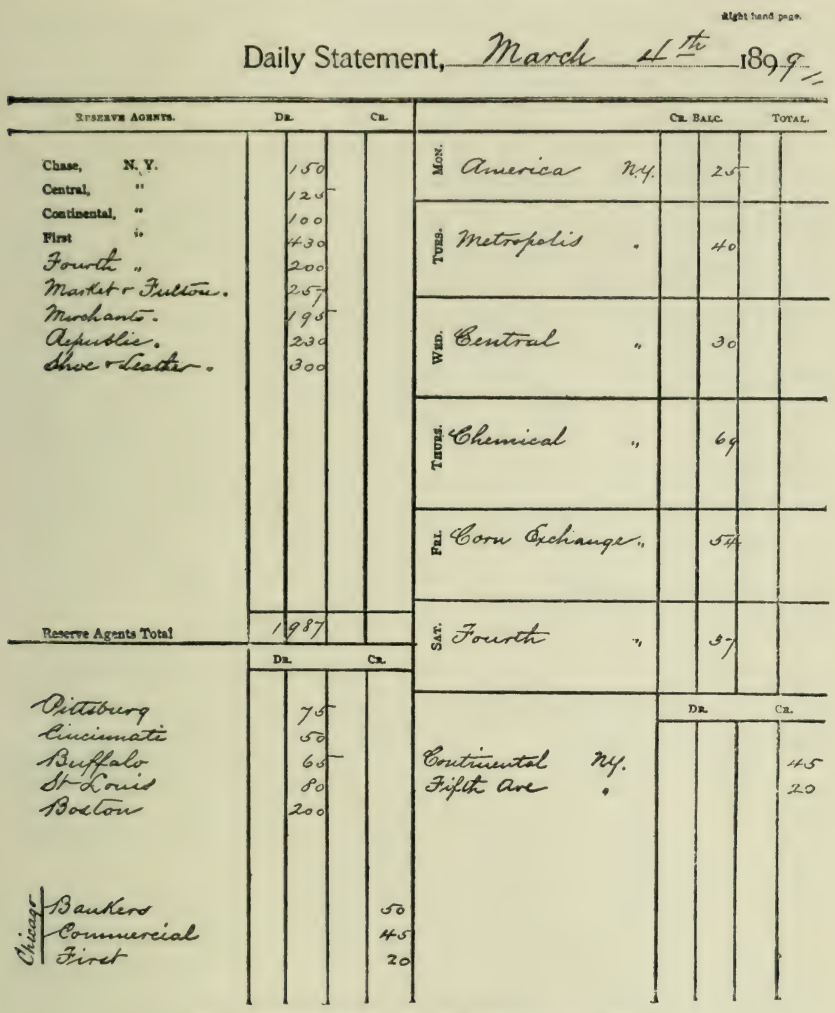


FIG. 56 (Continued).—DAILY STATEMENT BOOK.

REPORT OF CONDITION TO THE COMPTROLLER OF THE CURRENCY.

It is customary for all National banks to be called upon by the Comptroller of the Currency five times a year, at such times as he may select, for a report showing the condition of the bank upon some past date indicated by him. In fact this is one of the provisions of section 5211 of the Revised Statutes of the United States. The Comptroller is not limited as to the number of reports he may call for, but there must be not less than five.

It is extremely important for the bank, and for the Comptroller's department, that the request be complied with promptly. The law is very positive on this matter and attaches a penalty of $100 a day

for each day's delay beyond the period of five days from the date of receipt of the notice, and it is easy to see that to be enabled to do this it is necessary that the bank's records be kept in a careful and complete manner.

Sometimes a call comes for a date when the condition of the bank is not as good as its officers would like to make public, for not only must a report be made to the Comptroller but it must be published in a newspaper in the town, or the nearest town thereto, within the same county where the bank is established, and a sworn statement to this effect together with a copy of the report and the published statement cut from the newspaper, which must be sworn to by the publisher, must be sent to the Comptroller's office. It is a great temptation at such times for the officer to make a false report concealing the bad or weak condition. This is, however, a very foolish thing to do. "Tell the truth and shame the devil" is an old saying, but in no place does it apply better than right here. Many a man, thinking he was doing right to protect the interests of his bank by concealing its true condition, has been put behind the bars for making a false report calculated to deceive.

Section 5209 of the United States Revised Statutes makes this a criminal act punishable by imprisonment for not less than five years, and *no* conditions in a bank should warrant a man sacrificing his good name and character.

If a bank has become weakened by losses it is far better to act honorably and go into voluntary liquidation, or combine with some other and stronger bank, than to adopt the foolish policy of deception, which sooner or later brings its reward.

Fig. 57 shows the usual form of circular letter sent out to banks by the Comptroller for a report of condition.

These reports are generally made out from the general ledger or statement book, together with the items of cash from the teller's settlement book, and the overdrafts from the individual ledger. One item on the liability side of the report has often caused trouble because of being misunderstood, that is the item individual deposits subject to check. The question is often raised, "Is this the amount as shown by the individual deposit account on the general ledger?" In answer I will say that this will depend upon whether there are any overdrafts or not. What the Comptroller desires is to have a report of all liabilities and assets. The total of balances standing to the *credit* of the depositors is a liability of the bank to those depositors, and on the other side the total of all overdrafts is a liability of those depositors who have overdrawn their accounts, to the bank, or an asset. The term "deposits subject to check" means the credit balances. If there are no overdrafts the individual deposit account

Form 257.
Reports.—Ed. 6 6 1905 4,800.

Treasury Department,

OFFICE OF THE COMPTROLLER OF THE CURRENCY.

Washington, D. C., May 6, 1902.

Sir:

In accordance with the provisions of Section 5211 of the Revised Statutes of the United States, you are hereby notified and required to forward immediately to this Office, on one of the blank forms herewith inclosed, a report of the condition of your Bank at the close of business on Wednesday, the 30th day of April, 1902

In case there is no amount to enter in any schedule, it is not sufficient to leave it blank, but the word "none" should be written in.

Respectfully,

WM. B. RIDGELY,
Comptroller of the Currency.

To the President or Cashier

☞This report should be forwarded within *five days after receipt of this request.* If signatures of President or Cashier and three Directors can not be obtained within this time, *forward report with obtainable signatures.* A new report can be forwarded later. The penalty for delay in forwarding these reports is $100 *for each day after the five-day period.*

FIG. 57.—COMPTROLLER'S CIRCULAR LETTER.

on the general ledger will agree with the total of the balances on the individual ledger, but if there are overdrafts, that account on the general ledger will show a balance less than the credit balances on the individual ledger by the amount of the overdrafts. So if there are overdrafts it is customary to learn their total from the individual ledger and then add this to the balance shown on the general ledger by the individual deposit account, to arrive at the sum of individual deposits subject to check, and if the individual ledger has been kept accurately this will be correct.

The work of making out these reports is sometimes done by the general ledger bookkeeper and sometimes by the Cashier or Assistant Cashier.

The Comptroller's office sends the blanks in duplicate so that the bank can keep one copy on file for its reference.

In Fig. 58 will be seen a report of condition properly made out and sworn to, and attested by three directors.

On the reverse side, or inside, of the report sheet are various sub-

divisions which it is necessary to fill out, using the word none where there are no figures to be reported. Regarding this, I would like to impress the necessity of it upon all bank officers, for the Comptroller's office can not accept a report in an incomplete condition, and reports are too often sent in with these omissions, requiring much unnecessary correspondence.

As much difficulty is sometimes experienced at the office of the Comptroller of the Currency, because of the manner in which the reports of condition are made out by some of the banks, a circular letter of instructions was framed a number of years ago and sent to the banks. As these instructions are still in force, and may be of value to many, I here present them.

Form 310.

CIRCULAR LETTER.

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, May 1, 1886.

SIR: In order that the business of this office may be facilitated and your own convenience promoted, you are particularly requested to cause the utmost care to be bestowed upon the preparation of the reports sent in by your bank.

Guided by the errors and omissions heretofore most common, I beg to make the following suggestions:

1. See that the footings of the report are absolutely correct; that all schedules are properly filled; and that the aggregate of each schedule agrees with the amounts entered opposite its title on the face of the report.

2. Have each item under the heads Resources and Liabilities checked over to see that it is accurately set down and is in its proper place.

3. Item 4 of liabilities does not include circulation for which lawful money has been deposited and the bonds withdrawn; but it does include all the notes of your bank issued upon the security (and not exceeding the amount) of whatever bonds may be, at the date of the report, on deposit with the Treasurer of the United States to secure the circulation of your bank. Whatever amount of your own notes may be on hand and in the Treasury for redemption, should be entered in the proper place below the total circulation so as to appear as a deduction from that total. The difference is circulation outstanding, and should be so extended.

4. Opposite items 3, 4 and 5 of Resources, state the kind of bonds.

5. The average reserve and rate of interest paid should always be entered. In case no interest is paid, the fact should be stated by the word none.

6. The books of the bank should be so kept that the amount of each of the items required in the report can be ascertained at any time and properly stated; this is particularly necessary with respect to the sub-headings of Specie.

7. The exact amount of legal-tender notes on hand should be stated and *never included with any other item.*

8. Whenever the report shows that the bank holds one or more mortgages

NO. OF BANK, 6500

(USE THE BLANK LINES IF NECESSARY, BUT DO NOT ERASE OR CHANGE ANY OF THE PRINTED ITEMS.)

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY.
FORM 36.—REPORTS.—11-14-1901—50,000.

REPORT of the condition of "The Rhodesia National Bank of Manhasset"

At Manhasset, in the State of New York, at the close of business on the 25 day of February, 1902

Dr. Cr.

RESOURCES.		DOLLARS.	CTS.		LIABILITIES.		DOLLARS.	CTS.	
1. Loans and discounts on which officers and directors are liable (see schedule).	$ 225 355 78				1. Capital Stock paid in		200 000	—	1
Loans and discounts on which officers and directors are not liab	1 103 377 61	1 328 733	39	1					
2 Overdrafts, secured, $; unsecured, $; (see schedule)		None		2	2. Surplus Fund		200 000		2
3 U. S. Bonds to secure Circulation (par value), 2 per cents, — per cents		50 000	—	3	3. Undivided Profits, including amounts, if any, set aside for special purposes.	$ 81 276 86			
4 U. S. Bonds to secure U. S. Deposits (par value) per cents		None		4	Less Current Expenses and Taxes paid	2 325 51	78 951	35	3
5 U. S. Bonds on hand (par value) per cents		None		5					
6 Premium on Bonds for circulation, $; Premium on other U. S. Bonds, $		None		6	4. Circulating Notes secured by U. S. Bonds	$ 50 000 —			
7 Stocks, securities, etc., including premium on same (see schedule)		638 380	85	7	Less amount on hand and in Treasury for redemption or in transit	None	50 000	—	4
8 Banking House, $; Furniture and Fixtures, $		35 000	—	8	5. State Bank Circulation outstanding		None		5
9 Other Real Estate owned (see schedule)		None		9					
					6. Due to National Banks (not approved Reserve Agents)		54 100	43	6
10. Due from National Banks (not approved Reserve Agents)		23 149	89	10	7. Due to State and Private Banks and Bankers		2 996	60	7
11. Due from State and Private Banks and Bankers, Trust Companies, and Savings Banks		23 356	59	11	8. Due to Trust Companies and Savings Banks		None		8
12. Due from approved Reserve Agents (see schedule)		265 926	31	12	9. Due to approved Reserve Agents (see schedule)		14 350	50	9
13 Internal-Revenue Stamps		None		13	10. Dividends unpaid		1 729	—	10
14 Checks and other Cash Items (see schedule)		8 538	07	14					
15 Exchanges for Clearing House		None		15	11. Individual Deposits subject to Check	$ 1 934 830 14			
16 Bills of other National Banks		5 562	—	16	12. Demand Certificates of Deposit	None			
17 Fractional Paper Currency, Nickels, and Cents		748	13	17	13. Time Certificates of Deposit	None			
Lawful Money Reserve in Bank, Specie, viz: Gold Coin	$ 20 890 —				14. Certified Checks	25 —			
Gold Treasury Certificates	None				15. Cashier's Checks outstanding	3 096 21	1 937 951	35	
Gold Treasury Certificates, to order, Act March 14, 1900.	None				16. United States Deposits		None		16
Gold Clearing-House Certificates	None				17. Deposits of U. S. Disbursing Officers		None		17
18. Silver Dollars	3 802 —								
Silver Treasury Certificates	None				18. Notes and Bills rediscounted		None		18
Fractional Silver Coin	3 992 —				19. Bills payable, including Certificates of Deposit representing money borrowed		None		19
TOTAL SPECIE	28 684 —				20. Liabilities other than those above stated		None		20
Legal Tender Notes	129 500	158 184	—	18					
19 Redemption Fund with U. S. Treasurer (not more than 5 per cent on Circulation)		2 500	—	19					
20. Due from U. S. Treasurer		None		20					
TOTAL		2 540 079	23		TOTAL		2 540 079	23	

Place for official seal to be affixed by officer before whom acknowledged. See Act Feb. 26, 1881. Notary must not be an officer or director of the bank.

State of New York
County of Westchester

Sworn to and Subscribed before me this 25th day of February, 1902

F. H. Stanley
Notary Public.

2—1712

I, John P. Hunter, Cashier of "The Rhodesia National Bank of Manhasset Manhasset, New York" do solemnly swear that the above statement is true, and that the SCHEDULES on back of the report fully and correctly represent the true state of the several matters therein contained, to the best of my knowledge and belief.

John P. Hunter, Cashier.

NOTE.—This report is to be made at such times as may be designated by the Comptroller of the Currency; to be sworn to by the *President or Cashier, NOT by any other officer;* attested by not less than three Directors, and forwarded to the Comptroller of the Currency without delay. Each day's delay, after five days, may subject the bank to a penalty of one hundred dollars. See Sections 5211 and 5218, Revised Statutes of the United States.

Correct.—Attest:

To be attested by three Directors other than the officer verifying the report.

A. B. Bradford
J. B. Robinson
Harry K. Smith
Directors.

FIG. 58.

LOANS AND DISCOUNTS. (Including Loans and Discounts on which Officers and Directors are Liable.)

A. On demand, paper with one or more individual or firm names	$	33 000 —
B. On demand, secured by stocks, bonds, and other personal securities		228 551 —
C. On time, paper with two or more individual or firm names		576 177 69
D. On time, single name paper (one person or firm) without other security		177 000
E. On time, secured by stocks, bonds, and other personal securities		314 004 70
F. Secured by real estate mortgages or other liens on realty (see schedule)		None
TOTAL (item 1, resources)		1 328 733 39

INCLUDED IN THE ABOVE ARE—

G. Bad debts, as defined in Section 5204, Revised Statutes	$	None
H. Other suspended and overdue paper		65 000

Enter the amount in each of these items, or write in the word "none" if there is no amount to enter.

OVERDRAFTS.

	Secured:	Unsecured:
Standing twelve months or over		
Standing six months or over	None	
Temporary		None
Officers and Directors		
TOTAL (item 2, resources)		

STOCKS, SECURITIES, ETC. (Stocks, Bonds, Claims, Judgments, and similar items should be included under this head.)

Enter number of shares of stock or face value of bonds	Name of corporation issuing stock, bonds, etc.	Amount at which carried on books.	Estimated actual market value.	State whether taken for "debts previously contracted."
	Railroad bonds			
	Gas stock	638 380 85	773 572 85	
	Water bonds			
	City bonds			
	TOTAL (item 7, resources)	638 380 85		

OTHER REAL ESTATE OWNED.

Describe property, state form of conveyance, and from whom obtained.	Amount at which carried on books.	Amount of prior lien on property, if any.	Estimated actual value of property.	Date when title was acquired.	State whether taken for "debts previously contracted."
		None			
TOTAL (item 9, resources)					

LOANS AND DISCOUNTS Secured by Real Estate Mortgages or other Liens on Realty.

Give name of borrower, form of collateral, and describe property.	Amount at which carried on books.	Amount of prior lien on property, if any.	Estimated actual value of property.	Date when security was taken.	State whether taken for "debts previously contracted."
		None			
TOTAL (Item "F," Loans and Discounts)					

CHECKS AND CASH ITEMS OTHER THAN EXCHANGES FOR C. H.

Checks and drafts on banks, etc., in this city, not members of clearing house	8	538	07
Checks and drafts on other banks not members of clearing house	None		
TOTAL (item 14, resources)	8	538	07

AVERAGE RESERVE AND INTEREST.

Average reserve for last thirty days (in bank and with Reserve Agents) on deposits and bank balances, was 22 per cent.

The highest rate of interest paid by the bank on deposits is 3 per cent.

On notes and bills rediscounted is None per cent.

And on bills payable is None per cent.

Fill ALL SCHEDULES, writing in the word "none" wherever no amount is to be entered.

The charter number, title, and location of bank should be placed on all papers sent to the Department.

CERTIFICATES OF DEPOSIT REPRESENTING MONEY BORROWED.

To whom issued.	Address.	Amount on demand.	Amount on time.	Rate of interest.
	None			
TOTAL (include in item 19, liabilities)				

LOANS Exceeding the Limit Prescribed by Section 5200 of the Revised Statutes, including Amounts which Exceed this Limit due from State, Private Banks and Bankers, Trust Companies, and Savings Banks. Overdrafts, if any, to be classed with Loans.

Name of borrower.	Enter full amount of loan.	Name of borrower.	Enter full amount of loan.
J. B. Robinson	59 000 —		
Smith and Whipple	54 500 —		
City Street Railway	46 400 —		

BALANCES DUE FROM OR TO APPROVED RESERVE AGENTS.

From— Enter name and location of bank.	Amount.	To— Enter name and location of bank.	Amount.
10th Nat'l Bank New York	47 936 18	First Nat'l Bank New York	6 088 51
Gage " " Chicago Ills	25 063 70	Third " " Cin O	1 675 93
" " Ohio R.	70 862 89	Tradesmens " " Ohio R.	5 914 97
6th " " Cincinnati O.	28 481 63	Commercial " " Boston Mass	671 09
Chase " " New York.	93 581 91		0
	0		0
	0		0
	0		0
	0		0
	0		0
TOTAL (item 12, resources)	265 926 31	TOTAL (item 9, liabilities)	14 350 50

LIABILITIES OF OFFICERS AND DIRECTORS.

Names of Officers and Directors.	Official Title.	Liability (individual or firm) as Payers.	Liability (individual or firm) as Indorsers or Guarantors.	Overdrafts.	No. of Shares Stock Owned.
	President	0	119 006 08		247
	Cashier	0	2 700 —		200
	Vice-President	15 000 —	0		145
	Asst Cashier	8 900 —	2 735 —		200
	Directors	6 500 —	2 100 —		120
	do	25 500 —	0		41
	do	0	2 700 —		38
	do	0	23 880 —		122
	do	334 70	0		100
	do	16 000 —	0		10
TOTAL (see item 1, resources)		72 234 70	153 121 08		1723

(Fill indorsement as per form.)

NO. OF BANK, 6500

REPORT

OF

The Rhodesia Nat'l Bank

LOCATED AT

Manamoriek, New York

February 25, 1902

2—1712

Enter Charter Number of Bank here.

Bank Officers are requested to use the following form for printers' "copy."

No. 6500

REPORT OF THE CONDITION OF

The Rhodessa National Bank, at Mamaroneck

in the State of New York, at the close of business, February 25, 1902

RESOURCES.			DOLLARS.		
Loans and Discounts			1	328	733 39
Overdrafts, secured and unsecured					
U. S. Bonds to secure circulation				50	000
U. S. Bonds to secure U. S. Deposits					
U. S. Bonds on hand					
Premiums on U. S. Bonds					
Stocks, securities, etc.				638	350 85
Banking house, furniture, and fixtures				99	000
Other real estate owned					
Due from National Banks (not reserve agents)				23	149 89
Due from State Banks and Bankers				2	365 69
Due from approved reserve agents				264	926 31
Internal-Revenue Stamps					
Checks and other cash items				8	538 07
Exchanges for clearing house					
Notes of other National Banks				5	567 —
Fractional paper currency, nickels, and cents					745 13
LAWFUL MONEY RESERVE IN BANK, VIZ:					
Specie		28654			
Legal-tender notes		129500		158	154
Redemption fund with U. S. Treasurer (5 % of circulation)				2	500
Due from U. S. Treasurer, other than 5 % redemption fund					
TOTAL			2	540	079 73

LIABILITIES.	DOLLARS.			
Capital stock paid in		200	000	
Surplus fund		200	000	
Undivided profits, less expenses and taxes paid		76	951	36
National Bank notes outstanding		50	000	
State Bank notes outstanding				
Due to other National Banks		57	100	44
Due to State Banks and Bankers		29	96	60
Due to Trust Companies and Savings Banks				
Due to approved reserve agents		14	356	50
Dividends unpaid		1	729	
Individual deposits subject to check	1	934	830	14
Demand certificates of deposit				
Time certificates of deposit				
Certified checks			25	
Cashier's checks outstanding		3	096	21
United States deposits				
Deposits of U. S. disbursing officers				
Notes and bills rediscounted				
Bills payable, including certificates of deposit for money borrowed				
Liabilities other than those above stated				
TOTAL	2	540	079	73

Blank items need not be published.

NOTE.—The banks are respectfully notified that by law their published reports must be copies of the originals; and they must therefore state separately the amount of deposits subject to check, of demand and time certificates of deposit, and of certified checks and cashier's checks outstanding. Certificates of Deposit representing money borrowed must be included in and published as Bills Payable. Failure to do this may subject a bank to the expense of republication.

STATE OF New York, COUNTY OF Westchester, ss:

I, John B. Hunter, Cashier of the above-named bank, do solemnly swear that the above statement is true to the best of my knowledge and belief.

John B. Hunter, Cashier.

Subscribed and sworn to before me this 25 day of February, 1902

F. K. Stanley, Notary Public.

CORRECT—Attest:

A. B. Bradford

J. B. Robinson, Directors.

Neary N. Smith

[OVER.]

FIG. 59.

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY.
Form 200.

PUBLISHER'S CERTIFICATE.

ENTER CHARTER NUMBER OF BANK HERE. } No. 6500.

CUT THE PRINTED REPORT FROM THE NEWSPAPER AND ATTACH HERE.

PASTE SO THAT NO PART CAN BE TORN AWAY.

SEE SAMPLE FORM ON THE BACK OF THIS CERTIFICATE.

FORWARD CERTIFICATE TO COMPTROLLER OF CURRENCY AS PROMPTLY AS POSSIBLE.

PLEASE OBSERVE THE FOLLOWING REQUIREMENTS.

I. Each National Bank report must be published in a newspaper in the place where the bank is established; or, if there be no newspaper in the place, then in the one published nearest thereto in the same county.

II. It must be published in the same form, and the same order of items as in the sample form on the back of this certificate, including the full title and location of bank, the affidavit of Cashier, the notary's certificate, and the attestation of at least three directors.

III. Items which remain blank in the original may be omitted from the printed report, but the publication must never be condensed by combining two or more items into one.

IV. The original report should not be delayed on account of publication, but should be forwarded at the earliest moment possible, and the published report can follow at a later date. The form herewith can be used to furnish "copy" for the printer.

(See sections 5211 and 5213 U. S. R. S.)

STATE OF.....
COUNTY OF..... } *ss.*

On this.....day of....., 190 , personally appeared before the undersigned, a NOTARY PUBLIC within and for said county and State,.....
....., publisher of the
....., a newspaper published at....., County of
....., State of.....
who, being duly sworn, states on oath that the Report of "The....."
of....., in the State of
....., a true copy of which is hereto annexed, was published in said newspaper in its issue of the.....day of.....190

.....
Publisher.

SUBSCRIBED AND SWORN to before me this.....
day of....., 190

.....
Notary Public.

FIG. 59 (Continued).

on real estate, a brief memorandum should accompany it explaining the manner in which each mortgage was acquired.

9. Full information as to progress made in reducing overdue paper, and improving the position of bad debts, with a note to each item as to its probable value, should accompany every report.

10. It is *important* that the charter number of the bank should appear both in the report and at the head of the publisher's certificate forwarded to this office.

11. In case it is not possible to have the report promptly attested by three directors, it should, nevertheless, be sworn to and forwarded immediately upon receipt of call; the report will afterward be returned for completion.

12. Every report should be sworn to before some officer having an official seal, who is *not* connected with the bank, and care should be taken that the seal is affixed.

By carefully noting the above and guarding against the errors most common to reports, as pointed out, a large amount of unnecessary correspondence will be avoided.

Very respectfully,

———— ————, *Comptroller.*

To the PRESIDENT OR CASHIER.

N. B.—It is suggested that you paste this circular on cardboard and hang it up at the desk of the officer having charge of these reports.

Fig. 59 shows the form for a statement made out from the report for publication. On the reverse side is seen the space in which the clipping of the published report from the newspaper is to be attached, and the affidavit of the publisher.

As a part of this report it is necessary for the bank to furnish a

Schedule OF

Stocks Bonds & other Securities owned by the Mchts. Natl. Bank Centre City Pa.

Description		Par Value	Market Value	Book Value
Northern Pacific	3.20	8 000		5 600
Chicago R. I. & Pac.	4 1923	10 000		10 000
N.Y. Cent. & H. R. R. R.	3½ 1923	25 000		25 000
Chapman Manfg Co.	6 1905	5 000		1 000
Chicago Mil. & St. Paul.	4 1911	10 000		10 000
Del. Lack. & Western	5 1923	25 000		25 000
Baltimore & Ohio	4 1910	10 000		10 000
		93 000		86 500

FIG. 60.

separate schedule of stocks, securities and other investments where the number of such is too great to be contained in the space left for them on the inside of the report. The customary form for such schedule is shown by Fig. 60. The column market value is not always used, but it is convenient to have it, as sometimes it is quite important to know the comparative market value with the book or par value. When this schedule is sent with the report it should be noted in the space on the inside headed stocks, securities, etc., by writing there the words see schedule attached, and the schedule should be firmly attached to the report.

National Bank Reserves.

According to section 5191 of the National Banking Law all National banks in reserve cities or central reserve cities are obliged to maintain a reserve of at least twenty-five per cent. of the aggregate amount of their deposits. All other National banks must maintain a reserve of fifteen per cent. of their deposits.

The failure of any bank to do this debars it from making loans or increasing its liabilities, or declaring any dividend until such deficiency in its reserve shall have been made good. This law naturally obliges a bank to keep a close watch on the condition of its reserve.

While it is good business management to keep the allowable portion of a bank's funds actively loaned on good security, yet in doing this the bank officers must necessarily watch lest they encroach upon the reserve.

The figuring of the reserve is sometimes a troublesome matter. To arrive at its condition with a degree of accuracy some banks use a form of statement which is very convenient and complete. Fig. 61 shows this statement filled out properly, representing a bank holding fifteen per cent. as reserve.

Some banks use a form for a daily statement of reserve, which, while being more condensed than the former, is very good and shows at a glance the condition of the reserve. This is shown by Fig. 62. This form is also used by some banks on which to report the reserve when sending a report of condition to the Comptroller.

The making out of these statements of reserve is generally one of the duties of the general ledger bookkeeper, and where the daily statement of such is kept in a book it often becomes an interesting record for comparison.

A large proportion of the bank accounts kept with a bank, except with banks in reserve cities, are generally settled for weekly. These frequent settlements enable the officers to keep a close watch of the account and to be able to correct any errors that may creep in. When a settlement is received, an acknowledgment is necessary, and it is

ITEMS ON WHICH RESERVE IS TO BE COMPUTED.

LIABILITIES.

Should the aggregate "Due from" exceed the aggregate "Due to" Banks, both items must be omitted from the calculation.

Due to National Banks	53 885 96		
Due to State Banks and Bankers	19 088 67	72 974 62	
—LESS—			
Due from other National Banks	29 982 23		
Due from State Banks and Bankers	7 349 86	37 332 09	35 642 53
Dividends unpaid			2 520
Individual Deposits			397 827 11
United States Deposits			
Deposits of U. S. Disbursing Officers			
Gross amount			435 989 64

DEDUCTIONS ALLOWED.

Exchanges for Clearing-House	1 683 36	
Checks on other Banks in the same place	265 17	
National Bank Notes	2 430	4 378 53
Fifteen per cent. of this amount*		431 611 11
is the entire Reserve required, which is		64 741 66
Deduct 5 per cent. Redemption Fund with Treasurer U. S.		815
Net Reserve to be held		63 926 66

ITEMS COMPOSING THE NET RESERVE AND THE DISTRIBUTION OF THE SAME.

Three-fifths of the Net Reserve is 38 355 99

Items making up the same may consist of* Balances with following approved Reserve Agents, viz:

Hanover Nat. N.Y.	32 586 08	
Com'l Ex. " Phila	18 722 40	51 308 48
Drafts with Reserve Agents		12 952 49
Deficiency with Reserve Agents		

Two-fifths of the Net Reserve is 25 570 67

Items in Bank which may lawfully make up the same, viz:

Fractional Silver	215	
Silver Dollars	2 500	
Silver Treasury Cert's	1 000	
Gold Coin	15 000	
Gold Treasury Cert's	5 500	
Legal-Tender Notes	16 370	
U. S. Cert's of Deposit for Legal-Tenders		
C. H. Cert's for Coin and Legal-Tenders	10 000	50 585
Excess in the two-fifths Reserve held		25 014 33
Deficiency in the two-fifths Reserve held		

RECAPITULATION.

Excess in the entire Reserve held, $ 37,966,82 Deficiency in entire Reserve held, $

*If reciprocal accounts are kept with reserve agents, only the NET amount due from such agents is available for reserve.

FIG. 61.—STATEMENT OF RESERVE.

Merchants' National Bank

CENTRE CITY, PA.

May 10 1899

REQUIRED NET RESERVE $63,926.66

3-5 Net Reserve,	38,355.99		3-5 of Net Reserve.	25,570.67	
BAL. WITH RESERVE AGENTS.	51,305.41		CASH RESERVE.	50,575	
Hanover Nat. Bank, N. Y.		32,586.08	Fractional Silver,		245
Corn Exchange, Phila.		18,722.40	Silver Dollars,		2500
Less due to Reserve Agents.			" Treasury Certificates,		1000
			Gold Coin,		15000
			" C.N. Certificates		10000
			" Treasury Certificates,		5500
			Legal Tender Notes,		16370

Excess $12,952.49 *Excess* $25,014.33

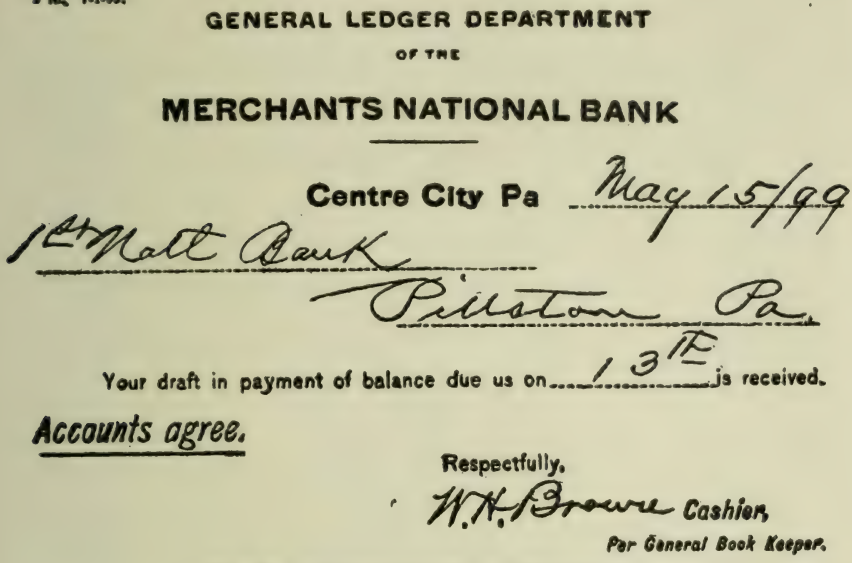
RECAPITULATION.

Excess in entire Reserve, $37,966.82

Deficiency in entire Reserve,

FIG. 62.—CONDENSED STATEMENT OF RESERVE.

a great satisfaction to the remitting bank to know if the amount of the settlement sent was correct. A very simple and comprehensive form for such acknowledgment is seen in Fig. 63.


3 M, 7-1-95.

GENERAL LEDGER DEPARTMENT

OF THE

MERCHANTS NATIONAL BANK

Centre City Pa May 15/99

1st Natl Bank

Pittston Pa.

Your draft in payment of balance due us on 13th is received.

Accounts agree.

Respectfully,

W. H. Browne Cashier,

Per General Book Keeper.

FIG. 63.—ACKNOWLEDGMENT OF SETTLEMENT.

Where the banks keep a running account, and especially an account that is drawn against, it is necessary to make out a statement, or account current, at the close of the month, showing by items all the debit and credit transactions, and the balance. This must be sent to the depositing bank.

It is customary to send with it a blank form upon which to report differences. Fig. 64 shows a style much in use.

_____ National Bank, _____

_____ 189

To The Fourth Street National Bank of Phila.

Your account rendered to _____ *showing a balance*

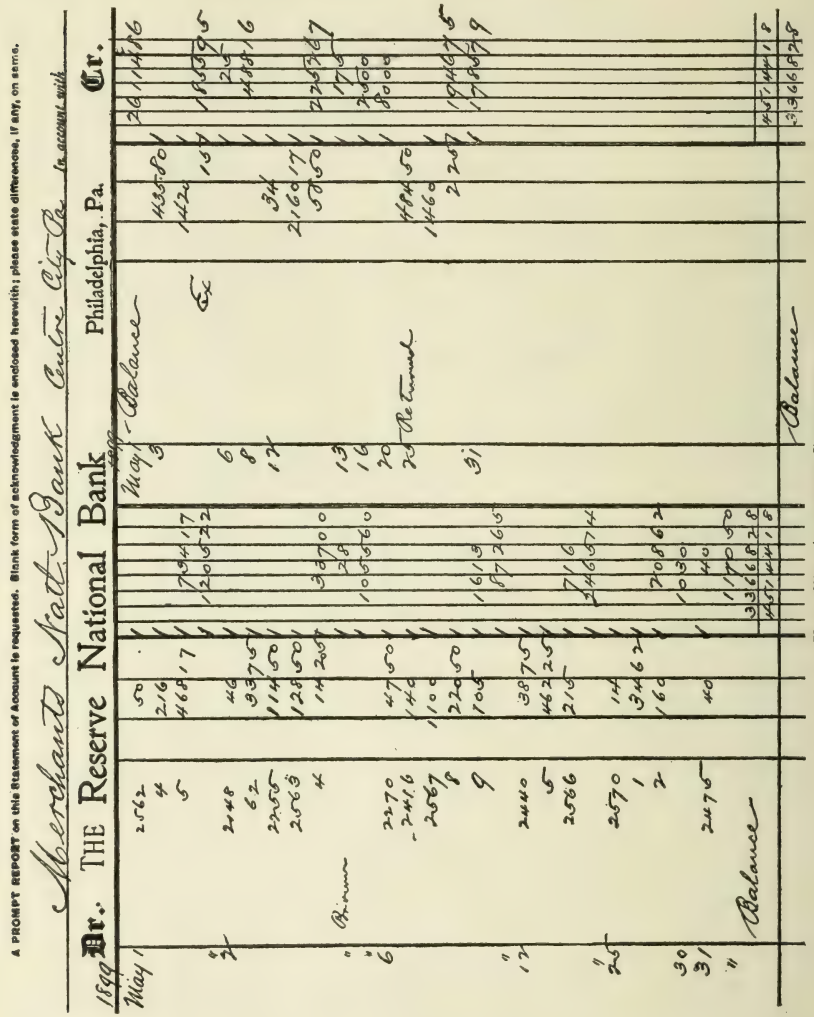
$_____, *due* _____, *agrees with our books, with the following exceptions.*

Respectfully yours,

☞ Report on this Blank only.

FIG. 64.

The accounts current are generally filled in daily throughout the month so that at the close of the month it is a simple thing to complete them. Fig. 65 shows an account current made out in the customary way.



A PROMPT REPORT on this Statement of Account is requested. Blank form of acknowledgment is enclosed herewith; please state differences, if any, on same.

Merchants Nat'l Bank Cedar City Pa. in account with

Dr. THE Reserve National Bank Philadelphia, Pa. Cr.

1899 May 1 Balance 26 114 16

FIG. 65.—ACCOUNT CURRENT.

When the account current is received the general ledger bookkeeper, or his assistant, should at once proceed to reconcile it or to check off the items there shown with those appearing upon his books. The drafts paid would of course be checked off, first with the list of outstanding drafts appearing on the previous reconcilement, then with the list of drafts drawn during the month as shown by the draft register.

After the account current is checked up the unchecked items should be collated and entered in a reconcilement book.

Fig. 66 shows such a book, and the proper record of the reconcilement of the account current shown by Fig. 65.

It is seldom that the balance as shown by an account current agrees with that shown on the ledger of the depositing bank, especially if the account is an active one, as there are most always some items in transit, and drafts outstanding.

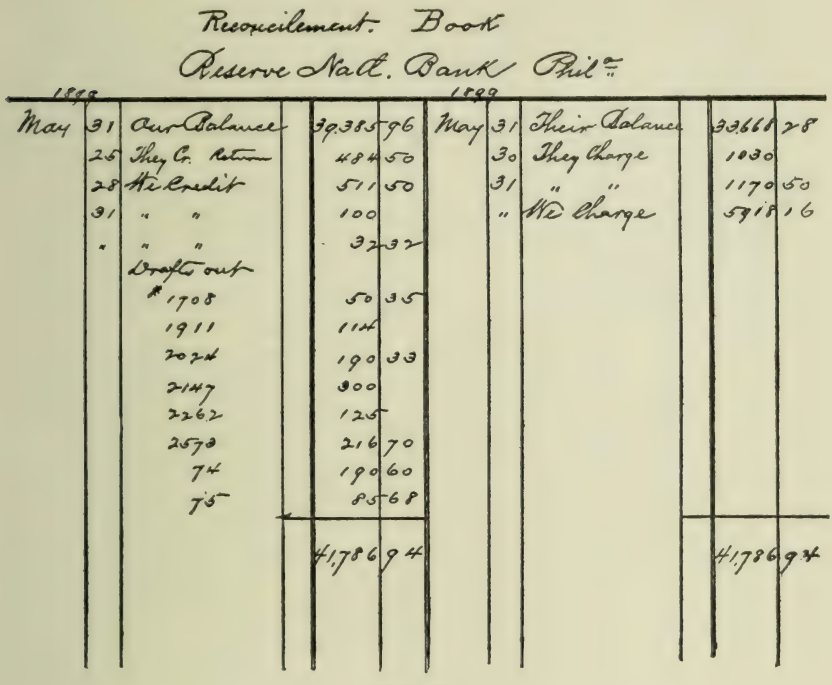


FIG. 66.

An amusing incident occurred to the writer when he was a general ledger bookkeeper which illustrates this.

A committee of the board of directors was examining the bank; they finally came to the general bookkeeper and asked him to give them on a slip of paper the balance as shown by their New York correspondent at the close of the preceding day; this was given them. In a few minutes they returned with very grave faces and informed the bookkeeper that the balance of the account given them was several thousands of dollars wrong. When asked to explain they said they had just received a telegram from the New York bank giving their balance, and the committee therefore "*knew* all about it." It was with considerable difficulty that the bookkeeper was able to convince them of their error.

WITH

THE NATIONAL RESERVE BANK

Interest account to.....

		Gross Balance.		Free Balance.		Net Balance.	
	1						
	2						
	3						
	4						
	5						
	6						
	7						
	8						
	9						
	10						
	11						
	12						
	13						
	14						
	15						
	16						
	17						
	18						
	19						
	20						
	21						
	22						
	23						
	24						
	25						
	26						
	27						
	28						
	29						
	30						
	31						

Interest,

FIG. 67.—INTEREST STATEMENT.

It is customary for reserve banks to allow interest on balances to other banks, with generally a limit to the amount of the balance, seldom paying interest on smaller balances than $3,000 to $5,000. Where such an arrangement is made it is customary for the general bookkeeper to make out an interest statement and send it with the account current. The daily balances shown in such a statement are seldom given below the thousands, sometimes the hundreds.

Fig. 67 shows the customary form for such an interest statement.

REPORT ON CIRCULATION.

Sections 5214 and 5215 of the United States Revised Statutes prescribe that each National bank shall make a report, or return, within ten days of the first of January and July of each year, to the Treasurer of the United States, of the average amount of its notes in circulation for the preceding six months, and upon the amount so reported the bank is to pay a tax of one-half or one-quarter of one per cent. semi-annually, according to the class of bonds deposited. The blank forms upon which this report is to be made are sent to the bank by the Treasurer of the United States. As the circulation account is kept upon the general ledger, it is usually the duty of the general ledger bookkeeper to arrive at the

proper amount from this account, and to fill up the blank form. In Fig. 68 will be found such a report properly filled out and sworn to.

On the inside of the blank will be found full and complete instructions regarding the making of this report and the methods to be

TREASURY DEPARTMENT,
TREASURER'S OFFICE—FORM 28.
National Banks.

SEMI-ANNUAL RETURN OF CIRCULATION SUBJECT TO DUTY.

Return of the average amount of Notes of the Merchants National ——— Bank of Centre City, State of Pennsylvania, in circulation for the Six Months next preceding the first day of July, 1907, with the duty thereon, made pursuant to the provisions of Section 5215, Revised Statutes of the United States, and the act of March 14, 1900, in order to enable the Treasurer of the United States to assess the duty on circulation imposed by Section 5214 of said statutes, as amended by Section 1 of "An act to reduce internal-revenue taxation, and for other purposes," approved March 8, 1883, and the said act of March 14, 1900.

Amount of Circulating Notes received from the Comptroller of the Currency, - - - - - -	$50,000.00
Average amount of Notes in circulation for the period based on U. S. two per cent Consols of 1930, - - -	$30,000.00
Duty on Average amount of Notes in circulation based on U. S. two per cent Consols of 1930, at one-fourth of one per cent, - - - - -	$75.00
Average amount of Notes in circulation for the period based on any or all other U. S. Bonds, - - - -	$20,000.00
Duty on Average amount of Notes in circulation based on all other U. S. Bonds at one-half of one per cent, - - - - - - - -	$100.00
Total amount of duty, - - - - - - -	$175.00

I, W. K. Brown Cashier, of the above-named National Bank, do solemnly swear that the above is a true statement of the Average amount of the Notes of said Bank in circulation for the time named.

W. K. Brown

Subscribed and sworn to before me this Second day of July, 1907.

J. B. Bicknell

Notary Public

5-1909

☞ Send your semi-annual return, and make payment of duty, to the Treasurer of the United States.

☞ New Banks, and Banks having circulation outstanding for less than six months, will notice particularly paragraphs 10 and 12 of the instructions.

☞ Care should be taken to keep a separate account of notes in circulation based on two per cent. consols for 1930.

FIG. 68.

employed in the paying of the tax, all of which it is well for the bank officers to read carefully.

The following instructions appear on the inside of the report.

INSTRUCTIONS FOR MAKING RETURN AND PAYMENT OF SEMI-ANNUAL DUTY.

1. By section 5215, Revised Statutes, it is made the duty of the Treasurer of the United States to prescribe the form for making return by each National bank of the average amount of its notes in circulation for each half year.

2. This return, with each blank filled with the proper amount as indicated, and subscribed and sworn to by the President or Cashier of the bank before an officer qualified to administer oaths, must be sent to the Treasurer of the United States within ten days from the first days of January and July, respectively, in each year, under a penalty of two hundred dollars, and payment must be made within the months of January and July.

3. Payment may be made by deposit of the amount of duty to the credit of the Treasurer of the United States, with him, or with any Assistant Treasurer or National bank depositary. Triplicate certificates should be issued therefor, the original of which must be forwarded to the Secretary of the Treasury, the duplicate to the Treasurer, and the triplicate held by the bank making the deposit as its voucher therefor. No other receipt will be issued. The certificate must state that the deposit is on account of semi-annual duty.

4. If there is no depositary convenient, payment may be made by draft on New York (collectible through the clearing-house) to the order of the Treasurer, or by remittance to him in lawful money of the United States, or notes of National banks, for which the Treasurer will issue his certificate of deposit, and send the duplicate to the bank.

5. The duty on circulating notes is one-half of one per centum on the average amount outstanding for the six months based on all United States bonds, except the two per cent. consols of 1930; on notes based on two per cent. consols of 1930 the duty is one-fourth of one per cent. on the average amount of notes in circulation for the six months.

6. Liability begins on the first days of January and July in each year, unless a bank had at that time no circulation outstanding, in which case it begins with the date of the first issue of notes, and terminates on June 30 or December 31 (as the case may be), date of commencement and termination both included.

7. Banks that have heretofore made returns will report for the full semi-annual term of 181, 182, or 184 days, as the case may be; and banks that have not heretofore made returns will report their circulating notes from and including the date of their first issue.

8. To ascertain the average amount, add together the daily balances of the notes in circulation from the proper date of the commencement of the liability to duty (including for each Sunday and holiday the balance of the preceding business day), to and including June 30 or December 31, as the case may be. The aggregate of daily balances for the first six months of any year will be divided by 181—the number of days from January 1 to June 30, except in leap year, when the sum will be divided by 182. The aggregate of daily bal-

ances for the last six months of any year will be divided by 184—the number of days from July 1 to December 31.

9. Banks not making daily statements, and obtaining their averages from weekly statements, should add together the weekly balances, including for each day in any fractional part of a week one-seventh of the weekly balance next preceding such fractional part. The aggregate of balances for the first six months of any year will be divided by the number of weeks from January 1 to June 30 ($25\frac{6}{7}$ or 26, as they case may be). The aggregate of balances for the last six months will be divided by $26\frac{2}{7}$—the number of weeks from July 1 to December 31.

10. Banks having circulation subject to duty for a period less than half a year, which make their estimates from daily balances, will divide the aggregate of the balances of the item for the time for which it is liable to duty by the number of days in the half year; and banks which make their estimates from weekly balances, by the number of weeks and the fractions thereof in the half year. The quotient thus found will be the average amount subject to duty for each six months, respectively, and should be entered in the return, and duty computed thereon at the full semi-annual rate.

11. A bank retiring its circulation, or any portion of it, is relieved from duty on the amount retired from the time of making the deposit of lawful money to redeem the same.

12. A bank which has gone into liquidation, in making its final return must estimate duty upon circulation to the time of making the deposit of lawful money with the Treasurer of the United States to redeem the same. The item should be averaged for the full six months, according to the foregoing rule, and the duty calculated at the prescribed rate. The amount thus determined is the correct proportion for the time for which the item is liable.

As there has appeared to be considerable difficulty with some banks regarding the keeping of the circulation and redemption accounts properly, consequently improperly reporting the same, I give here a copy of instructions that have at times been sent from the office of the Comptroller:

"The proper method of keeping the circulation account, and other accounts connected therewith, is as follows: When the bank receives notice from the Treasurer of the United States of the redemption of any of its notes, whether fit for circulation or not, its redemption fund account with the Treasurer should be credited with the amount so notified and the account of circulation outstanding charged with the same. When the Treasurer is reimbursed by the bank the amount of such reimbursement should be charged to the redemption fund, thus restoring that fund to its former amount. When the bills received by the bank in consequence of this are reissued the circulation account should be credited. By this method the circulation account will agree with that kept in the Comptroller's office, except as to amounts in transit.

In reporting circulation in the reports of condition the bank should enter on the liability side the full amount of its original circulation, deducting therefrom any sums that may be either in their hands for reissue, or with the Treasurer for redemption and reissue.

If at any time the bank should permanently reduce its circulation by withdrawal of bonds and the deposit of legal-tender notes, they should charge the circulation account with the amount of such reduction. The moment the legal tenders are deposited with the Treasurer he becomes responsible for the redemption of the bank's circulation."

Accounts with Other Banks.

In large banks, and particularly those in the reserve cities, numerous accounts of other banks are kept. In fact, considerable competition often exists in the efforts to secure these bank accounts, some banks even employing a man to travel and solicit them. This class of deposits is generally taken upon some agreement or understanding regarding several points, such as the payment of interest on the balance kept, and the charges for collection. These rates of exchange vary, naturally, according to existing conditions. To a bank having many accounts of other banks, and with various agreements, it becomes troublesome to keep track of the terms. If any question arises it is necessary to refer to the correspondence, and sometimes much time is lost in hunting for the record of special terms. This to a busy banker is very annoying. To obviate the difficulty, and to enable the officers to arrive at the information desired in a prompt manner, a large busy bank which has several hundred accounts of other banks has adopted the use of proposition cards. These cards are eight and one-half inches long by five and three-quarter inches wide. At the top is placed the name of the bank, and in a column down the center is put the date of the proposition or arrangement, as shown by the correspondence. In the left-hand space are put any general terms; such as free balance, no charge, charge, no interest, deduct; and these terms are stamped on with hand-stamps. In the right-hand space are detailed any specifications regarding the terms. Any changes in the terms are noted on the cards under the proper date, so that the card becomes a complete and ready reference at all times for these matters. These cards are filed away in drawers, and being arranged alphabetically can be quickly referred to at any time. Fig. 69 shows such a card.

To keep this record properly it is necessary for some one to examine the correspondence daily and note down in brief any proposition, which is afterwards copied upon the proper cards. This is usually done by the stenographer.

Questions often arise between banks as to certain terms for the handling of foreign items, which can be easily and satisfactorily settled if the actual correspondence is easy of access for reference, and there is no doubt that the system mentioned simplifies the matter considerably.

National Reserve Bank Baltimore Md.

OUR PROPOSITION.

Interest 2%. When balance is $5000 or over.	May 8/99	We agree to take all their items at par.
	July 1/99	Requested them not to send us items South of Washington D.C.

FIG. 69.

The cards in this case are preferable to an indexed book, because when a bank ceases to become a depositor its card can be removed to a drawer or box called the dead file, to be again replaced in the regular file if the bank resumes as a depositor.

DETERMINING THE VALUE OF AN ACCOUNT.

In these busy days when banking, as well as other business, is often done upon comparatively small margin, and when it is necessary to watch the corners closely, it often becomes a question if some bank accounts, and individual accounts as well, are a loss or a gain to a bank.

Of course, very much discretion must be exercised, as it often happens that an account may, of itself, be of little or no profit to the bank, in fact, may be a loss, yet the party may influence other depositors whose accounts are profitable.

A bright Cashier may be able to keep a general run of the principal accounts, and so judge in a general way of their value to the bank. But such a generalizing method would be unsatisfactory to large manufacturing concerns, and why not to banks, more especially to large banks.

One of the most progressive banks in our country with deposits away up in the many millions, realizing the unsatisfactory method, or want of method, in the old plan, has adopted a system of analyzing the foreign and individual accounts, and thereby learning with some degree of certainty their value to the bank.

Aside from the value of the account, this system is of inestimable value to the officers of the bank in aiding them to decide regarding demands for loans.

This department is called the analysis department. The accounts chiefly dealt with are the active ones; the inactive, or those leaving balances unchanged for long periods, hardly need analyzing.

The information regarding the bank accounts is taken from the letters from these banks containing foreign items, and from their accounts on the general ledger. The mail containing the foreign items, after the distribution of the items and acknowledgment, is turned

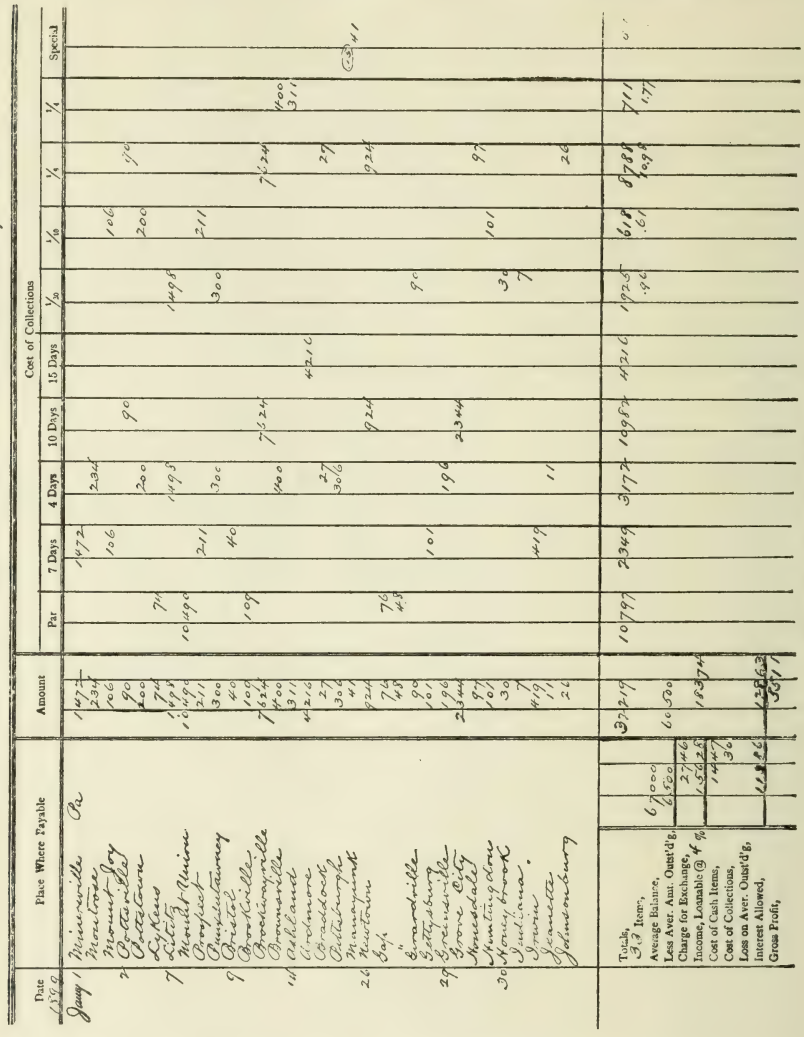


FIG. 70.—ANALYSIS SHEET.

over to the clerks in the analysis department, who are supplied with sheets properly ruled and printed upon which to make the records.

These sheets are eleven and a half inches wide by eighteen inches long, printed and ruled on both sides, and are represented here by Fig. 70.

Each sheet is headed with the name of the correspondent and depositing bank. The first column on the left shows the dates upon

which the items were received. The next column gives the names of the towns upon which the items are drawn. A third shows the amount of each item. If there should be more than one item for the same town on the same day, each should be entered separately. The balance of the columns show what it costs to collect the items, either in time or in exchange, indicating the time and rate, and to its respective column each item in the total column is extended. The clerks in this department are kept informed of any change in terms for collection. At the end of the month each column is footed, and at the bottom of the page is a condensed statement which is filled out in the following manner:

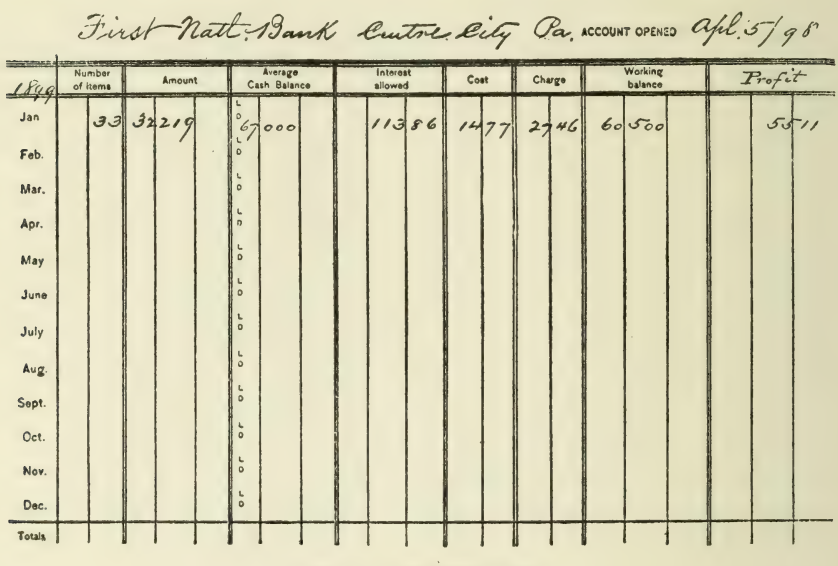
First, the number of items as shown by the total amount column are counted. On the form given it shows thirty-three. From the account of the bank on the general ledger is obtained the average balance for the month, which is shown by the illustration to be $67,000. The average amount outstanding is then obtained by multiplying the total of each of the columns of days by its respective number of days, 4, 7, 10, or 15, and by adding these results together. In the example given it makes a total of $202,191. This sum is now divided by the number of days in the month (31), and the result in round figures will be found to be $6,500. This being deducted from the average balance, gives the average working balance $60,500. From this working balance is now deducted the amount that must be retained as reserve (in the bank represented in this case it is twenty-five per cent.), and this leaves a balance of $45,375, which is the sum that the banker knows he can loan out.

An examination of the account in the ledger shows charges to the First National Bank, of Centre City, Pa., during the month, for exchange, of $27.46, as is shown in the recapitulation.

The banker calculates that he can safely count upon obtaining an average of four per cent. for his loans. This is figured upon the loanable amount given above ($45,375) for thirty-one days, and the amount is found to be $156.28. The two sums given, charge for exchange, $27.46, and income, $156.28, footed together give the receipts from the account, $183.74. From this is to be deducted the various costs to the bank. First of these is the cost of cash items, $14.47. This is found by figuring the exchange at the various rates given (1-20, 1-10, $\frac{1}{8}$, $\frac{1}{4}$ and special) upon the total amount in each respective column, and the sum of these amounts of exchange makes the total of $14.47. Next is an item of expense which the bank has had to pay for the collection of some check, and which is properly chargeable to this bank. The next item is the amount of interest allowed upon the daily balances for which a statement is rendered every month. The total of the charges or outlay is shown to be $128.63,

which, being deducted from the total income mentioned above, gives a profit of $55.11 upon this account for the month.

These large sheets, while accomplishing the purpose for which they were intended, would be a little unhandy for the busy bank officer. All he needs is a summary of results for ready reference. Consequently, for his especial use a summary is made and entered upon a card, these cards being kept on file in alphabetical order in drawers made for the purpose. These cards are six inches wide by eight and a half inches long, made of good stiff cardboard, and are ruled and printed on both sides, with a year for each side.


First Natl. Bank Centre City Pa. ACCOUNT OPENED Apl. 5/98

1899	Number of Items	Amount	Average Cash Balance	Interest allowed	Cost	Charge	Working balance	Profit
Jan	33	32219	L 67000	11386	1477	2746	60500	5511
Feb.			L					
Mar.			L					
Apr.			L					
May			L					
June			L					
July			L					
Aug.			L					
Sept.			L					
Oct.			L					
Nov.			L					
Dec.			L					
Totals								

FIG. 71.—ANALYSIS CARD.

Fig. 71 shows such a card with the complete summary of the sheet as shown by Fig. 70, and is self-explanatory.

In the column average cash balance are seen small letters L. and D. opposite each month. These represent the words loans, discounts, and in case any loans or discounts have been made for the bank during the month the amount is noted in red or green ink opposite the proper letter, as a matter for reference for the bank officer.

The individual depositors' accounts, especially those who deposit many foreign items, are treated in a similar way. The deposit tickets being properly filled out with the names of the towns upon which the checks are drawn, are, after the completion of the day's work, taken to the analysis department, and each of these depositor's names being given a sheet, such as shown by Fig. 70, the foreign items as shown by his deposit tickets are entered upon the sheet

and extended into the proper columns, and a similar summary made at the close of the month.

This summary is entered upon a card ruled and printed the same as shown by Fig. 71, and these cards are kept filed in a different set of drawers from those representing the bank accounts.

With these ready references at his hand, the busy banker can tell in a moment what an account is worth to his bank, and what line of discount he can afford to allow. Much of the success of banking depends upon the ability to grasp the situations promptly and successfully as they appear, and aids, such as those mentioned, are certainly of great value to the officers.

Analytical Statements.

The great advantage to bankers in having presented before them, at certain periods, a statement of their affairs has already been mentioned, and various diagrams of statement books to be used for that purpose have been given. These, however, deal with the matter in aggregates only and seldom go beneath the surface. Although the majority of banks seem satisfied with this form of statement, yet to the large and busy concern it can hardly prove perfectly satisfactory, because it does not deal with the conditions sufficiently in detail.

Every good business man understands the importance of having an analysis made of his business affairs once or twice a year. By this means he can learn of the weak points in his business, and a careful comparison of such analytical statements from period to period is found to be of material service.

Probably no business needs more careful watching in all its details than a large bank. The larger the bank the more chance for leakage, just as with other large concerns.

One of our largest and most active banks, realizing the necessity for keeping a close watch upon its business, has adopted the plan of having an analytical statement made every six months. This not only shows the volume of business done, but it gives an analysis of the expense and income, the cost of foreign collections, and the proportion of profits.

This analytical statement is made in a book ruled and printed for the purpose called the analytical statement book, and covers two pages for each period. It is of course founded upon the general ledger statement, which is taken off at the same time in the general statement book. In Figs. 72 and 73 will be found working diagrams of such statement, made out for a fictitious bank, but sufficiently clear to show the proper use.

It is part of the duties of the general ledger bookkeeper to make out this statement, its confidential nature being such that only a man

Analytical Statement of the business of the National Reserve Bank Boston for six months ending May 1. 1899

Checks on this Bank		Total	Average Daily	
Against Individual accts.		388,603,000.00	2,643,000.00	
Against Bank accts.		126,648,000.00	861,000.00	
Total		515,251,000.00	3,504,000.00	
Loans Made				Number of days Loans run
Demand Loans		21,633,000.00	147,000.00	38.8
Time Loans		8,328,000.00	57,000.00	94.4
Total		29,961,000.00	204,000.00	
Deposits Received				Number of days money in Bank
Individuals		390,222,000.00	2,654,000.00	4.29
Banks		193,313,000.00	1,315,000.00	7.96.
Total		583,535,000.00	3,969,000.00	
Deposits Bearing Interest	Total Deps.	Interest Bearing	Amt of Int	Percentage Receiving Subs
Individual	11,388,500.00	5,671,000.00	56,936.59	49.8
Bank	10,480,000.00	9,718,000.00	958,849.48	92.7
Total	21,868,500.00	15,389,000.00	151,786.07	

Foreign Collections

Cost	Total	Average Daily	Rate % 1899
Cash items	77,907,000.00	529,977.00	
Time "	9,756,000.00	66,346.00	
Foreign Bills	630,000.00	4,436.00	
Total	88,312,000.00	600,760.00	
Gross Cash Cost	13,720.44		0.156
Int. at 2% on "Due from Banks"	7,647.64		
Gross Cost	21,368.08		0.242
Less Exchange Received	7,398.64		
Cost	13,969.44		0.158
Less Interest Saved	5,605.00		
Net Cost	8,164.44		0.092

Exchange Paid			Exchange Received		
Prem. on Chicago Funds		165.00	Prem. on Chicago Funds:		
" " New York "	13,555.44		Individuals		11,258
			Banks		372.50
			Prem. on New York Funds		
			Individuals		809.43
			Banks		45
			Prem. Miscellaneous:		
			Individuals		127.99
			Transient Collections		290.64
			Discount Department		556.02
			New York Banks	3,486.50	
			Other Banks	796.20	
			Individuals	903.51	
			Int. saved % Free Balances		
			Individuals	2,271.38	
			Banks	3,538.62	
	13,720.44				13,203.94

Foreign Collections Deposited by Banks	$57,286,000.00	Rate % .66
" " " " Individuals	30,026,000.00	" " .34
Total	$88,312,000.00	

Time Outstanding of Foreign Items

Average Daily Amt. Foreign Items Dr. Debit Banks	Average Daily Amount Due from Banks	Average Time Outstanding
$162,000.	$745,000.	4.6 days

FIG 72

Statement of Profits and Expenses

Expenses				Income			
Semi Ann. Duty			3 367 85	Investments			63 278 75
Taxes			11 064 55	Demand Loans			95 447 25
Rent			6 750	Discounts			133 447 88
Exchange Paid	13 720 44			U.S. Bonds % Cir.			14 675 00
Recd.	13 203 94		516 50	" " " Dep.			11 225 00
Interest Paid				Foreign Exchange			
Banks	95 845 48			Profits	10 657 84		
Individuals	55 936 59	151	786 07	Interest	4 294 61	14	952 45
Expenses				Other Profits			
Salaries	53 864 78			% Investments	138 961 85		
Sundry	27 540 36			Less Losses	37 996 48	100	965 37
% Circulation	375	81	780	Interest Received			
Losses				Reserve Agents	29 299 35		
% Loans		24	45	Banks	1 292 34	30	591 69
Dividend Paid		50	000	Profits prior to Nov 1/95			
Increase in P.&L.				+ received since		12	348 44
May 1. 1899	417 204 39			Other Profits			
Nov 1. 1895	223 373 75	193	830 64	% U.S. Bonds		21	725 00
				Sundry Profits			465 40
		499	122 23			499	122 23

Proportion of Profits

		Average Balance	Gross Profits	Rate %
Demand Loans		5 711 000 00	95 447 25	.0334
Discounts BD.	3,710,000 00			
BDC	1,674,000.00	5 384 000 00	133 447 88	.0496
Foreign Exchange Dr. Bals.	591,000.00			
Less Cr. "	85,000.00	506 000 00	14 952 45	.0591
Investments		3 244 000 00	164 244 12	.1013
U.S. Govt. Bonds				
% Circulation	819,000.00			
" U.S. Deposits	782,000.00	1 601 000 00	47 625 00	.0576
Special Acct.		33 000 00		
		16 479 000 00	456 716 70	Aver. .0554
Income				
Reserve Agents		384 000 00	29 299 38	.0152
Investments		3 244 000 00	63 278 75	.0390
U.S. Govt. Bonds		1 601 000 00	26 000 00	.0324
Circulation				
U.S. Bonds	852,750.00			
Less Circulation	673.00000	179 750 00	10 992 12	.1246
U.S. Govt. Deposits				
U.S. Bonds	965,125.00			
Less U.S. Deposits	732,500.00	232 625 00	11 225 00	.0965
Net Profits				
Foreign Exchange		506 000 00	10 866 68	.0430
Banks, Loans and Discounts		15 973 000 00	232 964 06	.0292
Expense				
Loans and Discounts		16 479 000 00	256 291 59	.0311

FIG. 73.

filling such a position should be entrusted with it, and as most of the accounts represented in the statement are kept on his ledger the duty would very naturally fall to him. If those accounts have been kept with sufficient detail, and especially if an analysis department is kept.

as described in Figs. 70 and 71, it will be found to materially aid in making out such an analytical statement.

The Individual Ledger Desk.

A bank, being the depository for the funds of other people, and the records of the transactions—the depositing and the checking out of these funds—being kept at the individual ledger desk, naturally makes this desk one of the most important departments.

Among banks the greatest competition often exists in their efforts to secure deposits, and very naturally so, because the funds thus left in their hands form their chief working capital. A bank may have a comparatively small capital stock, but with a large line of deposits it has the means to enable it to do a large business.

As a bank's chief function is to receive deposits and to loan money, so its growth is judged by the increase in these departments. And as a bank can not loan money until it first receives it, consequently the deposits stand first in order.

There is probably no desk in a bank where the detail is heavier than at the one mentioned, and consequently none where greater care and accuracy are required. And as the numerous items come pouring into the bank throughout the whole business day, it requires a man who is a rapid worker to be able to keep up his end. When we consider that ninety-five per cent. of the business of this country is transacted by means of checks we can have some idea of the detail necessary in the proper recording of these checks.

The principal book of record for this department is the individual ledger, or deposit ledger as it is sometimes called. In this are kept the accounts of the various depositors, and to these accounts are posted daily the transactions representing deposits, loans, and collections for the credit of their respective accounts, together with the charges of the checks by which the depositors have withdrawn any sums of money. The careful recording of these transactions should show at the close of each day the true state of every depositor's account. In fact, by the frequent recording of the transactions during the day their condition can be closely watched. This, by the way, is often very necessary to prevent the overdrawing of accounts.

Overdrafts are one of the troublesome things bankers have to contend with, and every careful banker uses all the means in his power to prevent them. Except were special arrangements have been made, or collateral deposited for the purpose, the overdraft is an abnormal condition and is in reality a misapplication of the bank's funds.

Depositors have the right to draw out all money deposited to their own accounts, but they have no right, except by making arrange-

ments with the officers of the bank, to draw out the money belonging to other depositors.

As the overdraft may be caused by some error in the bank, it is well to send at first a notice similar to the following, which is in use in many banks:

MERCHANTS' NATIONAL BANK, CENTRE CITY,
December 1, 1902.

Mr. ———— ————.

Your account with this bank appears to be overdrawn to the amount of $———. Please send us your pass book that we may compare the account.

Yours respectfully,

————— ————, *Bookkeeper.*

If the account is proved to be correct, it is well to send a notice reading the same as the above with the exception of the last clause, which should read, "Please give the matter your immediate attention."

The individual ledger is not always a book of original entry, the transactions recorded in it having come from other departments. Thus the deposits come from the receiving teller, where they may have first been entered upon his deposit scratcher; the collections and discounts come from their respective desks, and the checks from both paying and receiving tellers where they are often entered upon the proof book before going to the bookkeeper. Even at the individual desk it is quite a common custom in many banks, and with some methods very necessary, to have the checks entered by name and amount in a check scratcher before posting them in the ledger.

There being few books that are handled more actively or more continuously than the individual ledger, it becomes very necessary that it should be made of the best material and thoroughly bound. The removable leaf system which is being used by some banks I cannot recommend, for the reason that it brings an element of danger and temptation into the bank. I have seen more than one instance of fraud, or the attempt to cover fraudulent transactions, by the removal of leaves or by substitution, and this is so much easier where the removable leaf ledgers are used.

Have the ledgers paged throughout, for by so doing any attempt at removing leaves may be quickly detected.

This removing of leaves applies especially to the old-fashioned debit and credit ledger, and to the Cincinnati or three-column balance ledger, because in these ledgers single accounts can be kept, and often are, on a page or leaf, whereas with the Boston ledger so many accounts are kept on a page—often as many as twenty-five—that it would be impossible to remove any one account without affecting many.

The styles of ledger chiefly in use are the three above mentioned. While some of the smaller banks still prefer the old-fashioned ledger, as shown by Fig. 74, yet it would hardly be possible to keep the records satisfactorily by that system in any of our large and active banks of to-day. Fig. 74 gives this style of ledger.

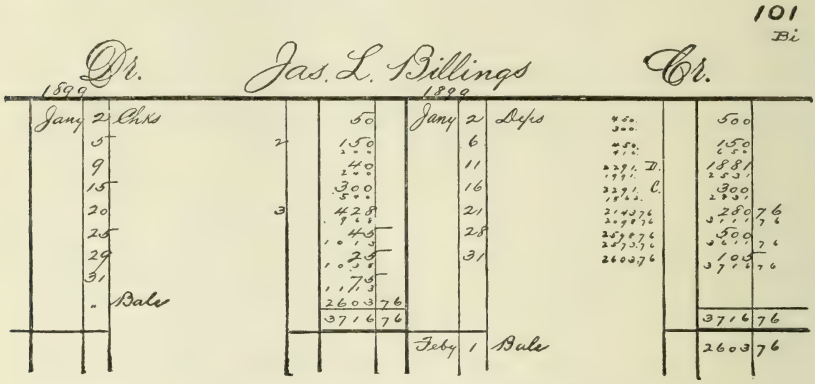


FIG. 74.—DEPOSIT LEDGER, OLD STYLE.

In using this ledger the items are posted from scratchers, or check and deposit journals as sometimes called. On the debit side the figures 2, 3, in the marginal space indicate the number of checks making up the sum posted. On the credit side the letters D. and C. mean discount and collection. In this case it is supposed that the pass book of the depositor has been balanced and the account ruled off at that point. Some banks have the custom of ruling a single line when balancing accounts and bringing down no footings. This is certainly an incomplete and unsatisfactory way and gives no evidence of the account being proven. The example given above is the best and safest method.

As will be noticed, each side is footed in pencil and the balance struck also in pencil at the close of the various days' postings. To facilitate this the bookkeeper, when posting, places a marker, generally a slip of thin pink or blue blotting paper, between the pages upon which he has made entries. At the close of the day's work he has only to foot up the accounts and strike the balances at the places so marked.

A proof balance of this ledger should be taken off monthly at least, oftener if possible. This should be taken in a balance book as it is sometimes important to be able to refer to it. The form for the balance book is shown in Fig. 75 somewhat abbreviated, as the book is so arranged that balances can be taken for twelve months by once entering of the names.

A very popular form of ledger with many, and one that has been

in use about thirty-five years, is the Cincinnati, or three-column balance ledger (Fig. 76).

One great advantage of this ledger over any other is the readiness with which the state of a depositor's account, for a long period back, can be ascertained at a glance. Another advantage is the ease with which the average balance of an account for any period can be obtained.

It is necessary to use the check and deposit scratchers or journals with this ledger just as with the former. But the postings in the

		January			February		
		Debits		Credits	Debits		Credits
7	Adams Geo. P.			345 72			
8	Anderson B. L. & Co.			1114 60			
11	Baker E. S.	10 00					
12	Barger Saml.			195 00			
25	Bergman M. S.			416 20			
27	Benton J. P.			2614 60			
51	Bittel Nathan			200			
76	Brown B. F.			1465 48			
101	Carter A. J.	5 45					
126	Creasy Jno. C.			3014 76			
128	Centre City Manfg. Co.			11375 82			
151	Crittenden Chas. A.			87 60			
		15 95		21619 58			

FIG. 75.—BALANCE BOOK.

ledger are made from the deposit tickets and from the checks, obtaining the totals, where there are several checks for the same account, from the scratcher. The balances should be extended every day, and always in *ink*, never in pencil, as is sometimes done.

Many plans are adopted by careful bookkeepers to avoid errors. Among them are the checking back of the posted items between the check and deposit scratchers and the ledger. Another method is to use an auxiliary scratcher ruled simply in columns headed checks, deposits.

This is often used in sheets merely, as they are not a matter of reference beyond the day of their use, and when tableted are quite convenient. Fig. 77 shows one of these sheets.

126
Bo.

L. B. Brown

DATE 1899	ITEMS		DEBIT	CREDIT	BALANCE
Jany 3				1100	1100
5		4	325		775
6		D		2475	3250
"			1200		2050
11			260		1790
14		C		428 50	2218 50
18		3	416	325	2127 50
25		4	762 65		1364 85
31		2	325	540 35	1580 20
"	Bals		1580 20		
			4868 85	4868 85	
Feby 1	Bals			1580 20	1580 20

Jas. L. Boyd

DATE 1899	ITEMS	DEBIT	CREDIT	BALANCE
Jany 8			400	400
10		250		150
17			50	200
15		85 75		114 25
16			50	164 25
18		100		64 25
20		75		10 75 *

* Overdrafts in red ink

FIG. 76.—THREE-COLUMN BALANCE LEDGER.

It is used by the bookkeeper when posting. Every time he posts an item of checks or of deposits to an account on the ledger he enters the same amount in its proper column on the auxiliary sheet. When the postings are completed he foots the two columns on the auxiliary sheet, and they should agree with the amounts as shown by the check and deposit scratchers.

No work can be well and satisfactorily done without system, and no department in a bank requires more system than the individual ledger desk.

In the first place the accounts on the ledger should be arranged in order, according to the letters of the alphabet and the vowels,

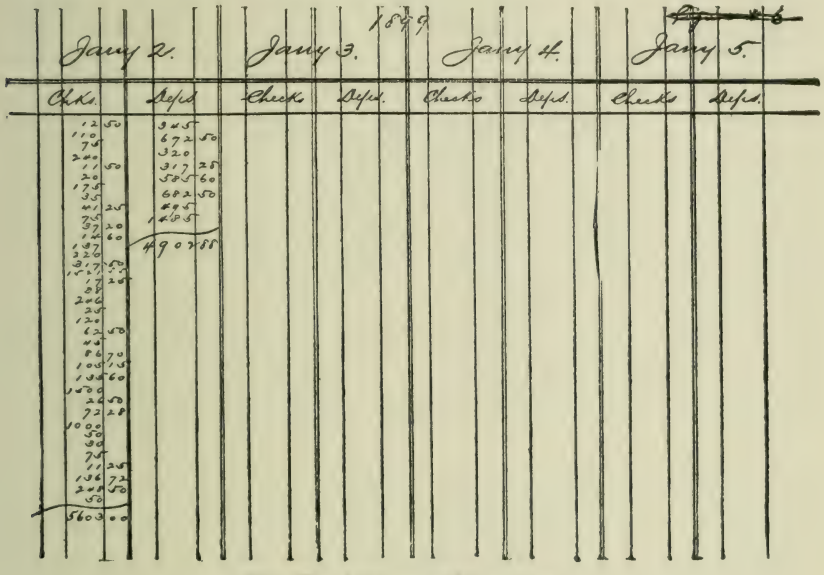


FIG. 77.—AUXILIARY SCRATCHER.

thus: Ba, be, bi. When the checks and deposit tickets are received by the bookkeeper they should be arranged in the same order in which the accounts are opened on the ledger, and be entered in the scratchers in this order, thus greatly facilitating posting and checking back.

An excellent plan for the proper arrangement or spacing of the ledger, of the kinds already mentioned, is to carefully draw up a chart covering the number of pages in the ledger, and setting apart the number of pages needed for each letter of the alphabet and its vowels. Fig. 78 gives such a chart, that has been used by the writer for the last thirty years.

The letters of the alphabet are arranged on the left-hand column. The extreme right-hand column shows the number of pages assigned

	A	E	I	O	U	Y	Total
A	1 10	11 10	21 10	31 10	41 5	46 5	50
B	51 25	76 25	101 25	126 25	151 15	166 10	125
C	176 25	201 25	226 25	251 25	276 15	291 10	125
D	301 15	316 15	331 15	346 10	356 5	361 5	65
E	366 10	376 10	386 10	396 10	406 5	411 5	50
F	416 10	426 10	436 10	446 10	456 5	461 5	50
G	466 10	476 10	486 10	496 10	506 5	511 5	50
H	516 25	541 25	566 25	591 25	616 15	631 10	125
I	641 5	646 5	651 5	656 5	661 3	664 2	25
J	666 10	676 10	686 5	691 15	706 5	711 5	50
K	716 10	726 10	736 15	751 5	756 5	761 5	50
L	766 10	776 10	786 10	796 10	806 5	811 5	50
M	816 20	836 20	856 20	876 20	896 10	906 10	100
N	916 10	926 10	936 10	946 10	956 5	961 5	50
O	966 5	971 5	976 5	981 5	986 5		25
P	991 10	1001 10	1011 10	1021 10	1031 5	1036 5	50
Q	1041 5	1046 5	1051 5	1056 5	1061 5		25
R	1066 10	1076 10	1086 10	1096 10	1106 5	1111 5	50
S	1116 25	1141 25	1166 25	1191 25	1216 15	1231 10	125
T	1241 15	1256 10	1266 15	1281 15	1296 10	1306 10	75
U	1316 25						25
V	1341 5	1346 5	1351 5	1356 5	1361 5		25
W	1366 20	1386 20	1406 20	1426 20	1446 10	1456 10	100
X	1466 10						10
Y	1476 15						15
Z	1491 10						10
	350	285	290	285	163	127	1500

FIG. 78.—LEDGER CHART.

to its alphabetical letter. The six intermediate columns show the subdivisions of the alphabetical letter among the vowels. The letters B, C, H, M, S and W, being those most largely used, as a general rule are given the greatest number of pages. The large figures in the center of the columns represent the number of pages assigned to that particular letter and vowel. Thus Ae is shown to be assigned ten pages, and Ci twenty-five pages. The smaller figures in the left-hand corner of each space represent the page of the ledger upon which that respective letter and vowel begins. Thus Ea begins on page 366, and Gi on page 486. After completing the chart the ledger should be spaced off correspondingly.

An excellent plan in spacing off the ledger is to put the proper letter and vowel on the corner of each page to which it belongs. This is shown in the Bi on the corner of Fig. 74, and the Bo on the corner of Fig. 76. This virtually indexes the ledger and obviates the use of a separate index; for at whatever place the ledger is opened, even if at a blank page, the bookkeeper knows just where he is and where to find the account wanted. By adopting this method

the writer has been saved much time and trouble when using the two styles of ledgers above referred to.

It will be noticed that the letters U, X, Y and Z apparently have all their spacing under the vowel a. These pagings are placed there simply to indicate that the whole amount of space assigned to these letters is given to the letters themselves without any reference to the vowels, as they are letters not much used.

It is necessary to take a proof balance of this three-column balance ledger at frequent periods, and this should be done at least once

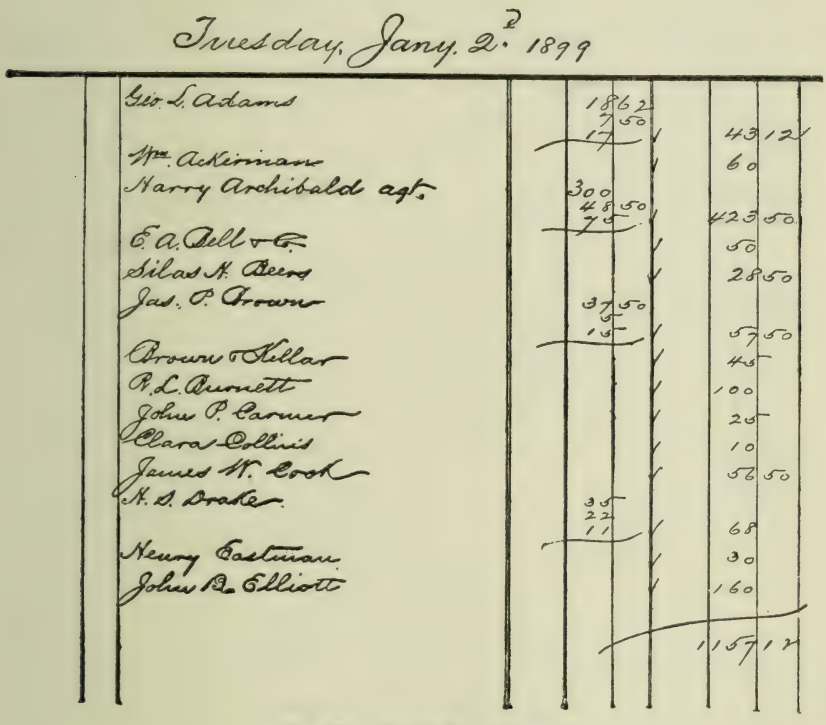


FIG. 79.—CHECK SCRATCHER.

a month. The same style of balance book as mentioned before will apply here, but in consequence of the balances being already struck in the accounts the labor is much lessened. The accounts should be footed at frequent intervals and the balances thus proved. By doing this much trouble may be saved, and if the footing is done during spare moments the labor will be hardly felt.

For taking the proof balances from the two forms of ledgers mentioned an adding machine will prove exceedingly useful. With one of these machines the bookkeeper can take off the proof balance in one-fourth the time. While it does not take down the names of de-

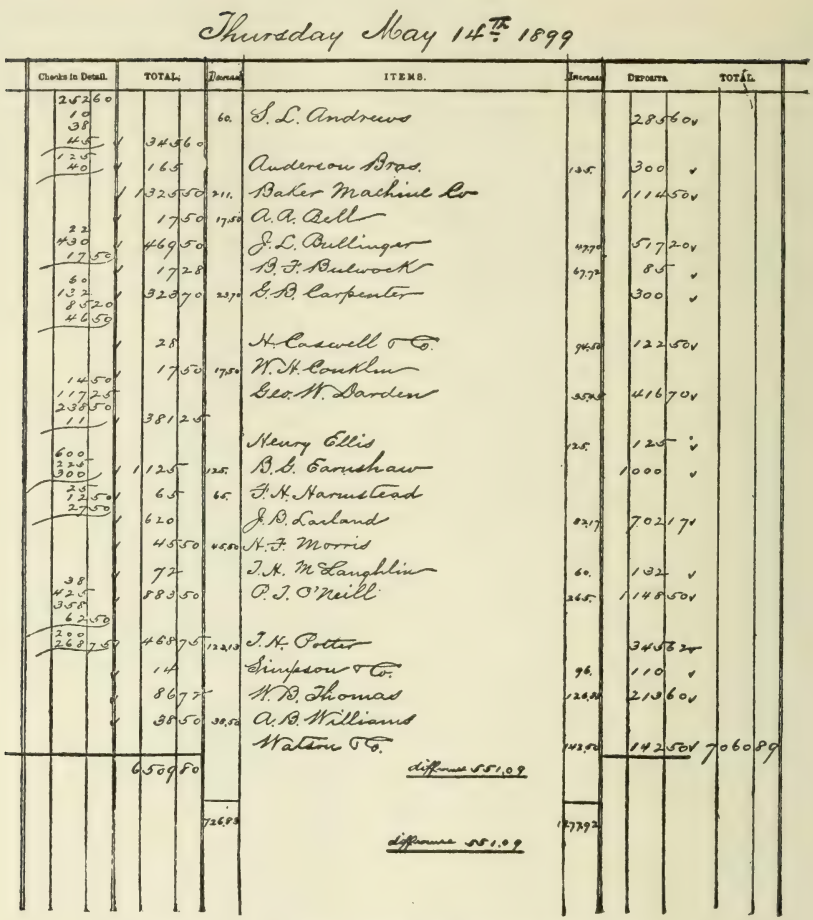


FIG. 80.—COMBINED CHECK AND DEPOSIT SCRATCHER.

positors, yet by taking down the balances in the same order in which the accounts are placed in the ledger, they are easily checked back if necessary. These figures can be taken on sheets eight or nine inches wide, six columns to a sheet, the machine doing the footing of each column, also making a summary and footing of the various columns, thus completing the work with a great saving of wear and tear. These sheets can then be pasted in a scrap book and will form a complete proof on file for any reference.

The scratchers or journals mentioned above form an important auxiliary to the two styles of ledgers illustrated. The most common form is shown in Fig. 79.

The form for a deposit scratcher is ruled in the same way. Another and convenient form in use by smaller banks is shown in Fig. 80.

In both these forms the names have been arranged alphabetically, thus obviating the using of any paging on the scratchers when posting, the check marks as shown opposite the amounts indicating that the items have been posted.

In Fig. 80 are seen two colums headed decrease, increase. These are found very useful in connection with the three-column balance ledger, and are an addition by the writer, who has found the method an aid in the prevention of errors in the accounts. Take, for instance, the first name, S. L. Andrews. By posting both items on the same line in the ledger space is saved, and the scratcher shows the amount to be deducted. Then by obtaining the total of the decreases and the total of the increases, and striking the difference, one arrives at the net, which in the above instance is an increase of $551.09. This agrees with the difference between the total checks and total deposits.

When entering the checks on the scratcher, or posting from them direct to the ledger, they are generally piled upon the desk in front

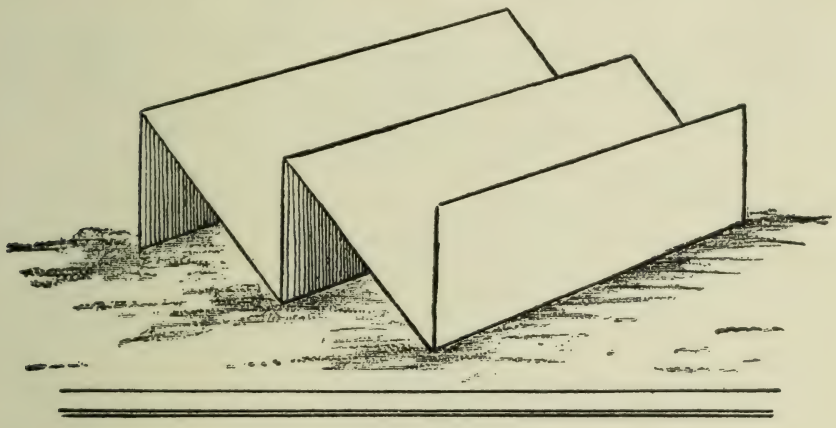


Fig. 81.

and to the left-hand side of the bookkeeper. In this position the pile is apt to be knocked over, or some of the checks to slide off the desk if the top is very sloping, thus disarranging them and causing trouble. Many plans have been adopted to prevent this, such as the placing of a weight or a book in front of the checks, but the writer has used a little implement for many years which has served him so well that he gives the idea to others with the hope that some may find it equally useful. He got the tinman to make him a check-rack like the accompanying (Fig. 81).

The dimensions of this rack are six inches wide and four inches high. When entering the items in the scratcher, or posting in the

ledger, the checks lie in the first compartment, and as they are entered up they are placed face downward in the rear compartment. The angle of the slopes places the checks in a position to be easily read, and it is impossible for them to slide off. This little check-rack can be made of wire if preferred, but I found a tin one was more serviceable and not so easily bent out of shape. It is light, can be put in a drawer or hung up out of the way, and will be found a very useful adjunct to the bookkeeper's desk.

Changes in Individual Deposits.

It is of great advantage to the officers of the bank to be able to know daily the increase or decrease in the individual deposits, not only in aggregate but in detail. Particularly is this so where the competition is great. They should also be able to know what the overdrafts are, in detail, at the close of each day. To this end blank

ACCOUNTS OPENED.

Jany 15/1907

	NAME	ADDRESS	AMOUNT	REMARKS
1	P. S. Nixon Co.	147 Canal St.	1482 65	Grocer
2	L. B. Jones	314 4th ave	500	private a/c
3	G. W. Smith	112 main St	375	"
4	B. N. Peters & Bro	182 Canal St	914 37	Builder
5	Bradford Manfg. Co.	Jonesboro	9756 40	Woolen Mills
6			13075 37	
7				

Fig. 82.

ACCOUNTS CLOSED.

Jany. 15/1907

	NAME	AMOUNT	DATE OPENED	HIGHEST BALANCE	ADDRESS OR REMARKS
1	F. Schreiber	32 50	11/4/1900	300	87 3d St.
2	Mrs J. F. Brown	15	6/5/1901	75	278 Market St.
3	S. A. Simpson	46 98	7/1/99	465	314 Canal St, moved & follows
4	Julius Love	111	5/2/1901	115	99 4th St.
5		765 48			
6					

Fig. 83.

OVERDRAFTS.

Jany. 15/190X

	NAME	ADDRESS	AMOUNT	REMARKS
1	M.L. Johnson	34 Market St.	5 67	
2	Jos. Brown	187 4th ave	10	
3	Nils Carlson	911 Main St.	2 50	
4	P.J. Mahoney	214 John "	30	
5			18 47	
6				

FIG. 84.

statements are used by many active banks styled accounts opened, accounts closed, and overdrafts. These are filled out each morning by the individual ledger bookkeepers and given to the Cashier or President. These statements are about 7½ inches wide by 11 inches long, containing twenty-five lines, and are perforated at one end so they can be filed in a binder. The foregoing (Figs. 82, 83 and 84) show the forms in use.

THE BOSTON LEDGER.

Recognizing the fact that the detail of the work at the individual ledger desk is very great, it has been the endeavor of many to try and minimize it as much as possible, within the bounds of safety. The results of some of these efforts have been seen in the various forms of individual ledgers, some being improvements and some not.

One of the most popular improved forms is called the Boston Ledger. Although this method originated more than forty years ago, yet it did not begin to come into general use until about twenty years ago. Fig. 85* shows the usual form for this ledger.

The ledger is made so that the two adjoining pages contain the six days of the week. Some ledgers have the names on the left-hand margin of the page, but by placing them in the middle the distance across the page from the names to the columns is lessened, and the danger of errors in posting to a wrong account thereby decreased.

Originally these ledgers had two balance columns, a debit and a credit, and this plan is sometimes followed, but it was soon seen that the same plan that was adopted with the three-column balance ledger, of using one balance column, and entering the credit balances in black ink and the debit balances in red ink, was applicable here,

* The form here given is for Monday and Tuesday only. Space is provided in the book for Wednesday also on the same page, the other days following on the next page.

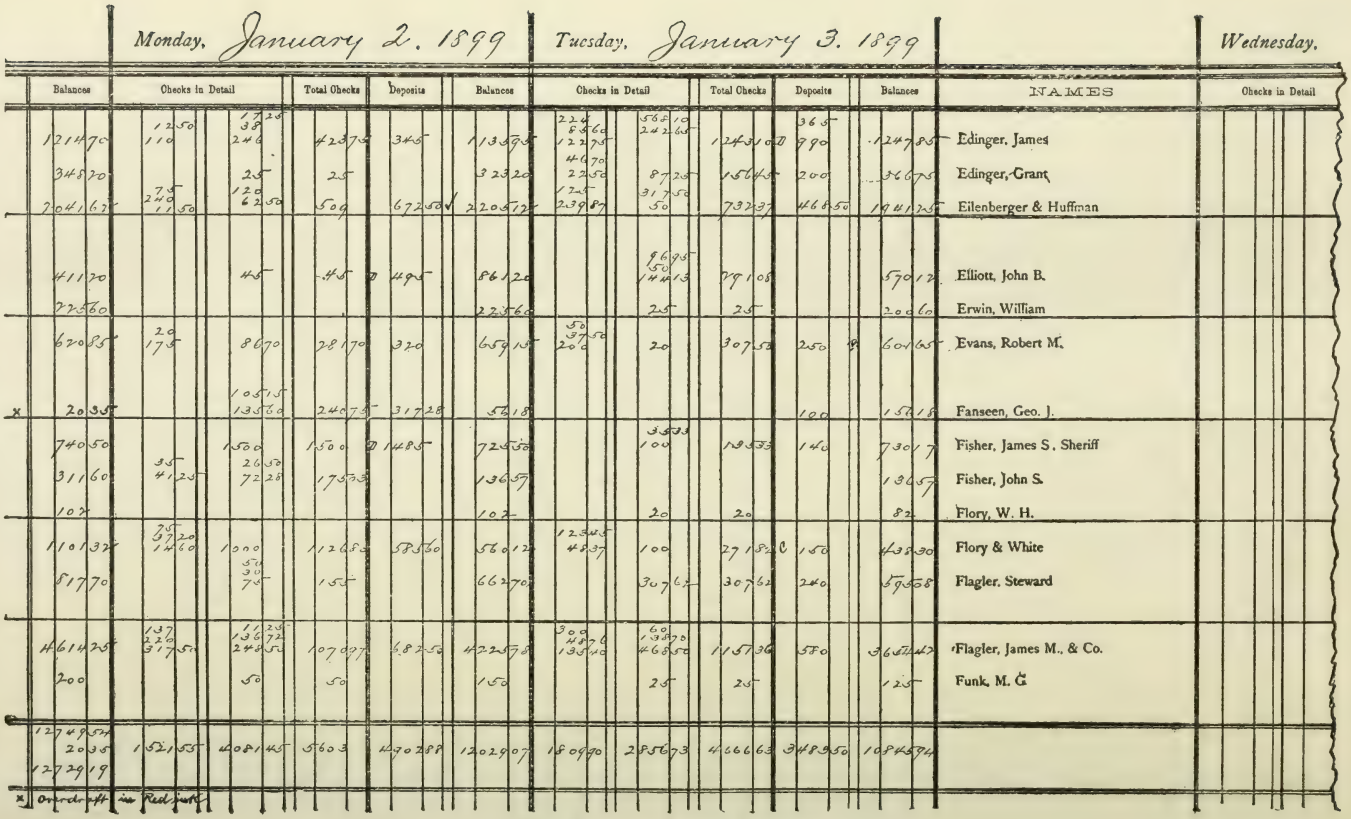


FIG. 85.—THE BOSTON LEDGER.

and as these books are necessarily larger than either the old-fashioned debit and credit ledger, or the three-column balance ledger, any safe reduction in size was an advantage.

The size of a page of this ledger is generally about twenty inches wide and twenty to twenty-two inches long, and will accommodate from twenty to twenty-five accounts.

The accounts are opened on the ledger in systematic order according to their letters of the alphabet, spaces being left between each letter for the introduction of new names.

The printer has become a very useful factor in the making of these ledgers, by the printing of the depositors' names and the days of the week, thus saving much labor.

The posting of items into this form of ledger is made from the deposit tickets and checks, the book being a combination of journal and ledger. The total footing of the column of deposits at the close of the day must agree with the total shown by the receiving teller's deposit scratcher, plus the discounts from the discount register, and the total of the checks must agree with their total as shown by the proof book. The total of the black ink figures in the balance column, minus the red ink figures, or overdrafts, should agree with the balance as called for by the individual deposit account on the general ledger.

It is customary in cities where there is a clearing-house to use the first column to the left under the heading checks in detail for entering the checks received from the morning exchanges.

The footing of this column should agree with the total of these checks coming from the clearing-house. By this method of proving the debits and credits it leaves the chief source of errors to be in the posting of items to the wrong accounts.

Another proof of the day's work is made in the following manner: If the total of the checks for the day is the larger, deduct from it the total of the deposits, then deduct this difference from the total of the balances of the previous day; the sum resulting from this should agree with the total of the balances for the day. If the total of deposits is the larger, of course the total of the checks would be deducted, and the difference added to the previous day's total of balances.

If a difference should occur in the balance at the close of the day, as between the amount shown by this ledger and the amount called for by the individual deposit account on the general ledger, the proof just explained, if taken at the bottom of each page, will materially aid in locating the error.

In the figure just shown two methods are seen of indicating the point at which a pass book has been balanced, one under January

2, for the account of Eilenberger & Huffman, where the point is indicated by a check mark √, and the other under January 3 for the account of Robert M. Evans, where the indication is made by the letter B. As a similar check mark is used to represent so many things the letter B, or the abbreviation Bal. is much preferable.

In the form shown the page is creased on the dark line between the columns headed balances and checks in detail on the extreme left-hand side. This enables the bookkeeper to fold this portion back upon the previous page when striking the balances at the close of the previous week, and by at once placing these balances in this column in their respective positions, time is saved, and the danger of errors, which would be liable to occur if the balances were transferred from one page to the other, minimized.

The chief objections to this style of a ledger are its size, and the difficulty in quickly arriving at the condition of a depositor's account over any considerable period of time. The question is often asked at the meetings of the board, when considering paper presented for discount, how does the applicant's account stand, and how has it been running for the past six months?

A glance at the account when kept on the three-column balance ledger will answer the question, for a single page will exhibit all the transactions of the depositor for that period, and often longer; but with the Boston ledger only one week can be shown without turning the pages. The principal advantage of the Boston ledger is the readiness with which the work can be proved daily.

To obviate the first objection many plans have been adopted. Some banks use only the three columns, total checks, deposits and balance, entering the detail of checks in a check scratcher.

This plan in the form shown would reduce the width of the page three inches (from twenty inches to seventeen inches) and make a ledger much more convenient to handle, while nothing would be lost in the advantages of the system. Another advantage by this method is found in the much less crowding of the checks on the ledger. In many banks it is almost impossible to enter the innumerable number of checks for a depositor's account in the ledger. In some instances there will be as many as twenty-five to fifty checks for one depositor in a single day, and I have seen bookkeepers in their efforts to exhibit these checks in detail on the ledger write them in various places on the page, on the margin at the top, diagonally across the page, almost anywhere, thus making most unsightly work, and difficult to decipher. When using the check scratcher the posting in the ledger is made from the checks, the scratcher only being referred to to obtain the total where more than one check for the same depositor is present.

March 1899

	Monday 3d		Tuesday 4th		Wednesday 5th			Thursday 6th	
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEPOSITORS	DEBIT	CREDIT
1	40	265	25	50 225		2 50	Aaronson, Rebecca A.		
2	65 35	520 50		50 420 50		470 50	Aigner, Rev. Martin		
3	1138 72 1500	D 1485 365 1877 40	246 25 368 70	852 40 1083 68		1321 13	Alcott, Thomas C., & Son		
4	2364 46 5382 25	4325 60 11246 40	97 50 C 186 72	2584 0 4831 9		4588 7	Archer, John W.		
5	30	4182 25		3882 25		3882 25	Armstrong, Clara V.		
6	25 100	2630	50 85	2505		2370	Armstrong, Clara V., (Guardian)		
7	3455 16 4332 0	8173 53 26572 4	2807 6 320	14657 7 10047 10		18696 7	Atkinson, Samuel A.		
8	47867 9	309985	16584 3	267657					
		779727		611033		712847			

FIG. 86.—ANOTHER FORM OF BOSTON LEDGER.

Another modified form of the Boston ledger, and one that is beginning to be quite extensively used, especially in the large cities, is shown in Fig. 86.* In this it will be seen that only two columns are used, the balance column being eliminated. This further reduction in size permits the whole six days to appear on one page, as is shown, and this makes it only eighteen inches wide.

The postings are made as before from the checks and deposit tickets, the check scratcher being used so that no detail appears on the ledger. At the close of the day the balances are struck in the depositor's accounts, and these are carried forward to the next day, the credit balances being entered in the credit column and the debit balances, or overdrafts, in the debit column, care being taken to place these balances immediately on the heavy dividing line. An improvement in this method will be found by either entering the overdrafts in the debit column in red ink, or to use the credit column as the balance column, placing all the balances in it and writing the overdrafts in red ink. The necessity of having the overdrafts show conspicuously is very apparent.

In the form just shown it will be noticed that there are two sets of figures in most of the debit columns. This is given to show the posting of the checks from the exchanges separately from the others. The posting of these checks is often made in either red or green ink to distinguish them from the others. In case the overdrafts are shown in red ink, which is always advisable, the green ink will of course be preferable.

Even in towns where there is no clearing-house it is an advantage to make two postings of the checks in a day, one between twelve and one o'clock and the other after the close of the bank. This method keeps the work up closer. Of course in that case only the black ink need be used in posting. The example given will refer to this method also.

A useful addition to the customary form, which has been added by the writer, is a narrow column one-eighth of an inch wide on the left side of each debit column. This is used for inserting the number of checks making up the amount posted.

Two total footings are shown in the credit columns. The lower ones represent the footings of the balances, and the ones above, those of the deposits for the day. In the debit columns are shown only the footings of the day's checks, which should agree with the footing of the check scratcher. Had there been any overdrafts in this form, and placed in the debit columns, their total would have appeared in the lowermost space of those columns.

* The form here given shows only three days of the week; the other three should follow, on the same page.

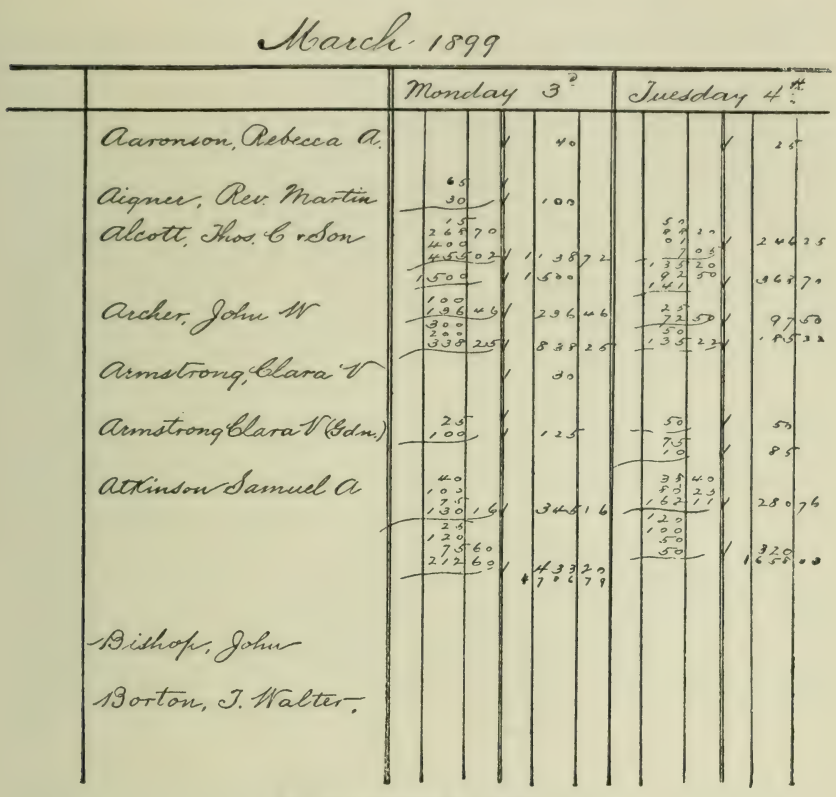


FIG. 87.—CHECK SCRATCHER.

The form for the check scratcher which is most generally used has been shown before, but a great improvement, especially where the Boston ledger is used, is shown in Fig. 87.

Although the names here are shown in writing, it is intended that the printer should again lend his assistance by printing the names in the same consecutive order in which the accounts are found on the ledger, leaving spaces for new names. The bookkeeper simply enters the amounts of the checks opposite their respective names, and in the proper date column, as they are gathered up during the day, and posts them in totals to the ledger.

In the form shown two days appear, the other four days are intended to be exhibited on the next adjoining page, so that the one column of names operates for the whole week, just as in the ledger.

The entries here shown in Fig. 87 will be found posted in the ledger, Fig. 86, to show the operation.

Realizing the fact that no one is exempt from the possibility of errors, banks have sought for means to prevent them, especially on the individual ledger where they are likely to make much trouble.

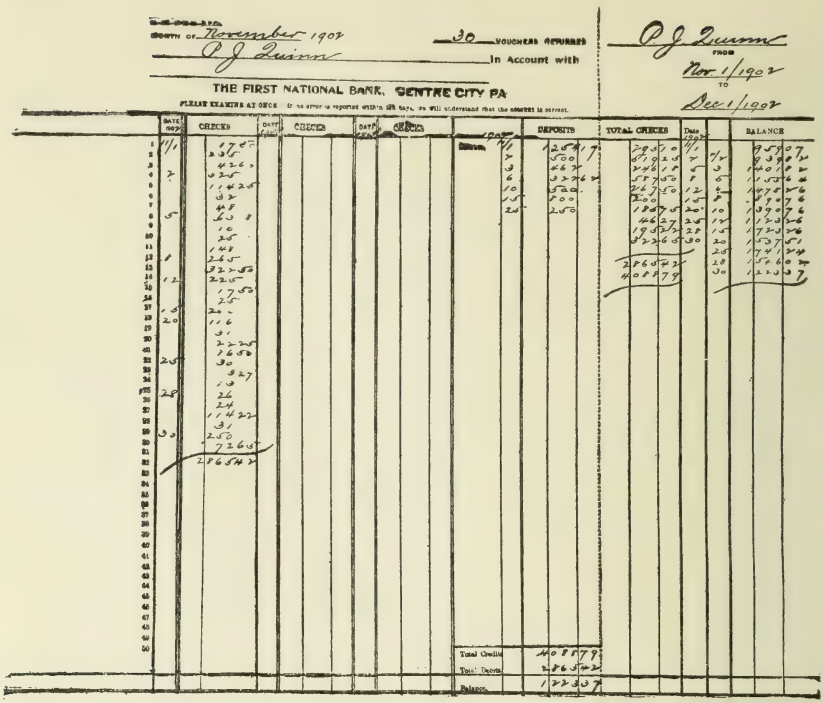


FIG. 88.—DUPLICATE DEPOSIT LEDGER.

We have shown how to prove the total postings, but there remains the danger of posting either checks or deposits to the wrong accounts. The old custom of checking back the postings between the scratchers and the ledger, and where the scratchers are not used, of calling back from the checks and deposit tickets to the ledger, two clerks working together, has been an old stand-by, and is still used in many banks, even in some of the large ones in our largest cities. Various other methods have been tried, and among them one which has come in favor in many large active banks, that of keeping a duplicate set of individual accounts, and the clerk being careful to place a marker (generally a slip of thin red paper) in the pages of the duplicate ledger where the balances have been changed by any postings, then when the day's work is complete the two bookkeepers call back the changed balances to verify them. The duplicate ledger is kept on sheets made of ordinary moderate weight ledger paper, or linen paper. These are loose leaves, and are held in a binder at the left-hand edge in such a way that they can be easily removed when necessary. They are not intended to be a permanent record but simply a daily verification of the permanent individual ledger. They also form a statement of the account, in the portion to the left of the dotted line

perforation, which appears between the columns deposits and total checks. These can be taken out of the binder, and after removing the narrow strip on the right of the perforation can be sent to the customer with his pass book and checks when balancing the same, or sent without the use of the pass book. The narrow strip to the right of the perforation is filed away in the bank. These are kept in the same relative order as the ledger accounts so they can be referred to whenever necessary.

Fig. 88 shows the form for such a duplicate ledger described, the transactions on it showing the work for the month and the final closing or balancing. This method has also been found to be a safeguard against collusion in this department.

The work on the duplicate ledgers is not so heavy as on the regular set, as there is nothing to do but posting, striking balances, and verifying. In one bank where four individual ledgers are kept two men keep the duplicate set on the form mentioned.

Some banks that have adopted the policy of keeping a double set of individual ledgers, as a safeguard, use a ledger similar to Fig. 86 for what is called a skeleton ledger. Each set of ledgers is kept by a different set of men, the balances being expected to agree. In this case two full sets of men are necessary, as the whole daily work is duplicated.

Inactive Accounts.

A troublesome feature to all bankers is the filling up of individual ledgers with inactive accounts. In many banks efforts are made to cull them out and keep them on a separate ledger. Of course it is sometimes difficult to judge when a depositor first opens an account whether it will be an active or an inactive one. Much can sometimes be learned from the character of the depositor's business. If the account is simply of a private or personal character it is generally safe to open it on the inactive ledger.

Inactive accounts sometimes become active, or active accounts, inactive, and these changed conditions necessitate transfers to their proper ledgers.

As the daily items are not very numerous, it is customary in many banks to keep this class of accounts on the three-column balance ledger, the form for which was exhibited on a previous page. An improvement, however, and one modeled somewhat upon the Boston ledger system, is shown in Fig. 89.

This is divided, as will be seen, into monthly sections, instead of daily. Each month has its date column besides its columns for number of checks, total checks, deposits, daily balance, and monthly balance.

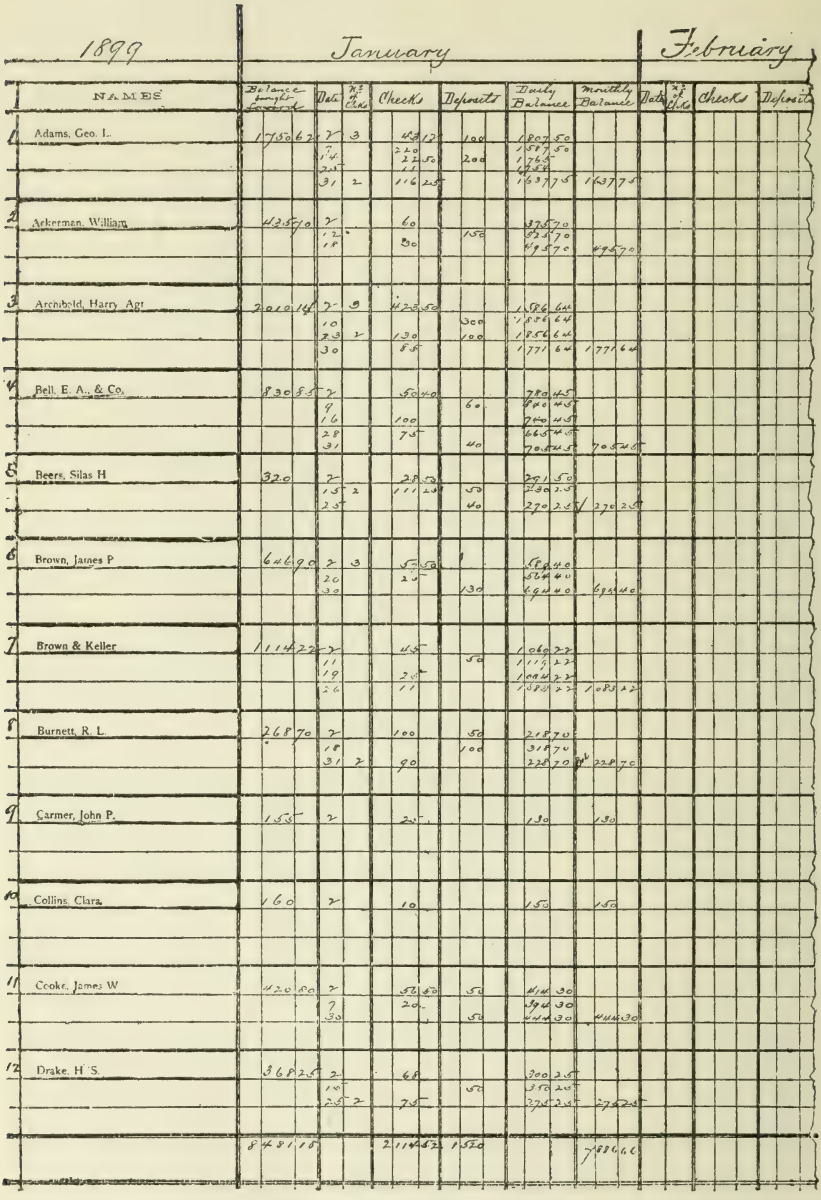


FIG. 89.—INACTIVE DEPOSIT LEDGER.

The idea of using two balance columns is one that has been adopted by the writer and found exceedingly convenient, the daily balance showing the condition of each account at the close of every day, while the monthly balance column is in reality the proof balance for the month, the last balances on the accounts at the close of

the month being extended into this column. The arrangement of the column of names varies as to location according to the ideas of those using the ledger, but in some respects, as has been shown, the names being placed near the middle of the page will be found an advantage. In that case the first balance column can have the creased division, as mentioned regarding Fig. 85, simplifying the transfer of the balances.

The use of both the check and deposit scratchers is necessary with a ledger like this, for it is important to learn the total amount of the daily transactions of each.

Whenever a ledger for inactive accounts is kept it is advisable to keep on the general ledger an account representing this ledger; it may be styled inactive deposit account. The totals of all the charges and credits to the depositors of this class will then be charged and credited to that representative account, and the inactive ledger should be proved by that account.

If at the close of the month the proof balance should be incorrect, by the footing of the columns of checks and deposits on each page, and adding or deducting the difference between them to, or from, the total of the previous balance column on that page, the result should agree with the total of the balance column as shown by that page for the period for which you are working.

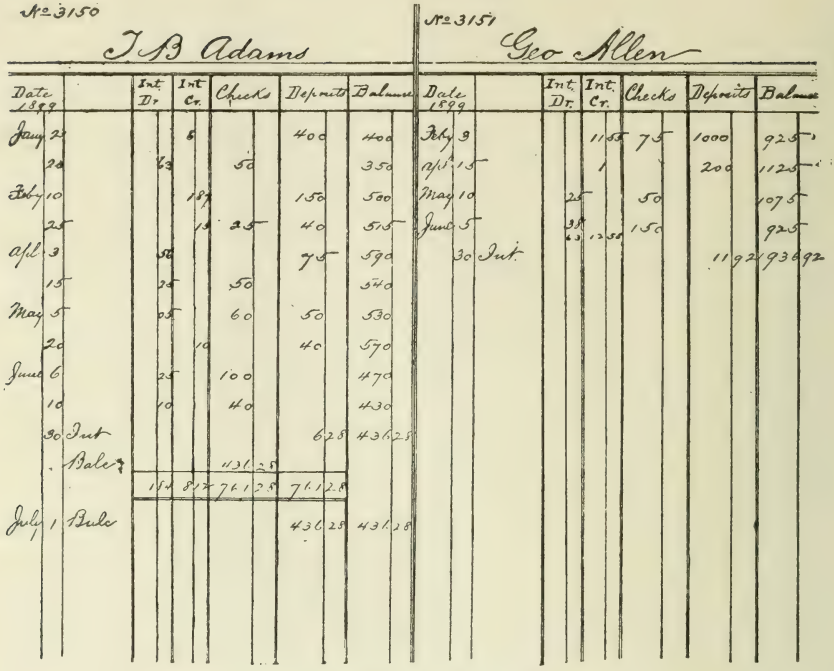
Savings Bank Departments.

Some banks are adopting the policy of paying interest on balances of individual depositors. In some National banks a savings department is organized for the especial care of deposits of this class, and as they are not generally subject to check for any large amounts, the parties desiring to draw presenting their pass books at the time, and the bank reserving the right to oblige the depositors to give due notice of the desire to withdraw any large sums (some two weeks and some thirty days) it often places in the bank's hands a considerable fund, which if carefully invested will prove a source of revenue.

Of course, the people, as a general rule, who deposit in this way are often very timid, knowing comparatively nothing about banking business, but if they are treated in such a manner as to fully gain their confidence they become the bank's firm friends.

Banks have generally grown into this class of business gradually, and have tried to use for this department the customary methods employed in the usual banking business. Many have used the three-column balance ledger, which answers very well as far as it goes. But in Fig. 90 will be seen an improved form of the balance ledger, and made especially applicable to this class of deposits.

Besides the three columns which have been before explained, two



No. 3150 — J. B. Adams

Date 1899		Int. Dr.	Int. Cr.	Checks	Deposits	Balance
Jany 21			5		400	400
29		63		50		350
Feby 10			187½		150	500
25			15	25	40	515
April 3		56			75	590
15		24		50		540
May 5		05		60	50	530
20			10		40	570
June 6		25		100		470
10		10		40		430
30	Int				6 25	436 25
	Balc			431 25		
		1 44	8 17½	761 25	761 25	
July 1	Balc				436 25	431 18

No. 3151 — Geo. Allen

Date 1899		Int. Dr.	Int. Cr.	Checks	Deposits	Balance
Feby 9			11 55	75	1000	925
April 15			1		200	1125
May 10		25		50		1075
June 5		3 63	1 50	150		925
	30 Int.				11 92	936 92

Fig. 90.—Interest Deposit Ledger.

additional columns are here used, one for interest Dr. and the other for interest Cr. It is customary for banks to have some period limit in each month, from which to figure interest; thus, for example, all deposits received after the tenth of a month only begin drawing interest from the first of the next month. The rate of interest varies with the location, some allowing two per cent., some two and a half and some three per cent.

For convenience the rate of three per cent., or one-quarter of one per cent. a month, is figured in the example given. In the first item in the account No. 3150, the interest is allowed upon the deposit for the full time, the six months' period to July 1. The next item is a check, and the interest is charged upon that to July 1, and so on, the interest being figured upon the amounts deposited or withdrawn, and those sums of interest being entered in the corresponding charge or credit column of interest. At the end of the six months' period the two columns of interest are footed, and the debit total deducted from the credit total, and this gives the net total credit of interest for that time.

The great labor in the keeping of interest accounts is that which attends the figuring of the interest at the close of each six months' period By the method above mentioned, however, this is so dis

tributed through the year as to be comparatively light when the interest period comes around.

Of course, at this period it becomes necessary to have a list made and the grand total obtained of the amount of interest so credited to the depositors' accounts. This total must be charged to the interest paid account on the general ledger, and credited to the account representing the savings or interest deposit account on the same ledger. Here again the use of an adding machine will be found to save time in the making of this list and in footing it up.

Interest accounts are usually kept not only by name but by number, the numbers being printed at the head of each account. The deposit tickets, and the checks or receipts for the payment of money, should also bear the account number, as also the pass book. In fact, all the papers relating to each account should be kept and filed by the account number.

The methods of withdrawing money from a savings account differ. Some employ a form of a check and some use a book. The check is simply a receipt and states that the sum of money mentioned has been received, this being signed by the depositor. These checks or receipts are not transferable, and can not be used outside the bank, and the pass book must be presented by the depositor at the time the money is withdrawn.

The book mentioned is very simple in form, there being merely columns for the account number, the name of the depositor, the amount paid, and a wide column upon which the depositor signs his or her name, or makes his mark, opposite the amount, at the time the money is paid. This book is then used as a journal from which to post the items to the depositors' accounts in the ledger.

To endeavor to cover the necessary features of an interest ledger as far as possible, without being complicated, has been the aim of many. I give in Fig. 91 a form for an interest ledger that has been found to be a time and labor-saver.

This is an adaptation of the principle of the Boston ledger to this class of work. As with the inactive ledger, the ledger is divided into monthly sections. The transactions on such a ledger are naturally few, and the space allotted to each name, about two inches, is found sufficient for all practical purposes. The page is sixteen and one-half inches wide by twenty-two inches long, and this gives spaces for ten names to a page.

In the cut is shown an abbreviation of one page, which contains three months' work, so the two contiguous pages will contain six months. If the ledger is made with one short leaf between every two long ones, the accounts will run for one year continuously; or if with three short leaves, they will run for two years.

January 1899

Previous Balance	Account Number	Name	Date	Int. Bale.	Int. Dr.	Checks	Int. Cr.	Deposits	Balance	Date	Int. Bale.	Int. Dr.	C
350	1600	Saml. Brown	1	5 25			5 25		350		6 04		
			5	5 10	15	10			340				
			20	4 79	31	25			315				
			30	6 04			1 25	100	415				
	1601												
	1602												

FIG. 91.—INTEREST DEPOSIT LEDGER.

At the close of each month the balances standing to the credit of the accounts are brought forward into the balance column of the next month; this makes the trial or proof balance, as by footing these balances the total is readily obtained.

The interest, as is seen, is computed on each transaction instead of on the balances, and is charged or credited in its proper interest column and added to or deducted from the interest balance. At the end of the interest period, generally each six months, the interest balance column shows at once the amount to be credited to the depositors' accounts, and the total footing of these final interest balances gives the sum necessary to be charged to interest account and credited to interest ledger account on the general ledger.

In the use of this ledger the scratcher or journals for the entry of the checks and deposits are necessary, as it would be a difficult matter to obtain the daily totals of these from the ledger.

Care of Checks and Deposit Tickets.

The care of the checks and deposit tickets is a feature that should be given much attention. These papers are vouchers representing the transactions for the receiving and paying of money, the checks in particular, as they are the orders on the bank signed by the depositors.

These vouchers should always be kept carefully under lock and key, and should be filed away in the vault after the completion of the day's work. Before filing it is particularly advisable that they be cut or punched in such a way as to effectually cancel them, so there can be no possible way of their being used again should they get into the hands of some evil-disposed person. There are various methods of filing away checks. It is well, however, to observe the custom in use with the division of the accounts; that is, to distribute them according to the letters of the alphabet and the vowels, giving the large accounts, that issue many checks, separate compartments.

The main idea should be to have them so filed that they can be readily found whenever necessary, for the balancing of pass books or other purposes.

Some banks use small compartments in an upright cabinet built into the vault for the filing of the checks. Some use drawers divided into convenient compartments. The most convenient method I have seen is with drawers and movable card partitions, each partition having an elevated portion large enough to contain a letter, or letter and vowel combined, or a name. The checks are placed in the drawers on edge between the card partitions, thus occupying the smallest space possible, and are not easily lost by accidentally slip-

ping out, as will sometimes happen when kept in the open compartments or tills.

In the filing away of deposit tickets the old custom of tying them into packages daily, or holding them together with rubber bands—the bands rotting and breaking and the tickets becoming scattered, much to the discomfort of the bookkeeper or clerk—has been superseded by a very neat plan, here illustrated.

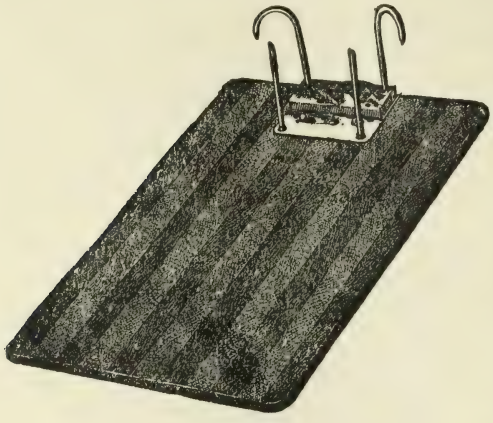


FIG. 92.

Procure from any good stationer a fish-tailed letter file, small size, like the accompanying Fig. 92.

Get a double cutter which will punch the necessary two holes in position to conform to the spindles on the file. The whole can be generally obtained at the same place, and would not cost over a dollar, sometimes much less. The cutter or punch can be screwed fast to the board of the file. Have the deposit tickets made with

Left hand page — Average Book

	Name	Place of business	Business	Average 1897	Average 1898	Average 1899
	Adams J.B.	213 Main St	W. Grocer	2718	2850	3039
	Andrews J L & Co	143 Main St	Stock Brokers	10142	10458	10958
	Bacon E.V.	162 Front St	Importer			
	Benson A J	272 Washington St	W. Grocer			
	Brown P J	310 Commerce St	W. Dry Goods			
	Carter A L & Co	411 Market St	Hardware			

FIG. 93.

three-quarters of an inch margin on the left-hand side. The margin is for the holes, and the stationer who makes the tickets will supply them with the holes punched if requested. This will, in that case, dispense with the punch mentioned.

At the close of the day's work the tickets can be slipped upon the spindles and the hooks closed so they can be examined with ease without removing or danger of dropping off. Between every two days a card can be slipped on the file with a protruding portion upon which may be noted the day of the month. At the close of the month open the hooks and insert the two ends of a bent piece of copper wire, about a foot long, into the hollow spindles, then lift off the tickets from the spindles and the ends of the wire will be seen protruding through the holes. These can be brought together and twisted, thus binding the month's tickets together firmly. If a piece of heavy manila paper be put on the spindles at the bottom and at the top, and thus bound with the tickets, it will protect them and they can be filed away on shelves like books, and if a strip of manila paper is gummed across the back, the month and year can be written upon it, and then they can be readily found when wanted.

I have seen no way more complete and convenient than this, and its inexpensiveness makes it certainly worth a trial.

Where more than one individual ledger is used, and it is therefore an advantage to keep the tickets of each by themselves, a file

Average Book — right-hand page

Years	January	Feby	March	April	May	June	July	Aug.	Sept	Oct.	Nov.	Dec.		
1897	3015	2800	2600	2200	2700	2600	2500	2400	2600	2800	3000	3100		
1898	3100	3000	2800	2900	2800	2600	2700	2500	2600	2900	3100	3200		
1899	3400	3200	3000	2800	2800	2700	2900	2600	2700	3000	3300	4000		
1897	10500	12600	8800	9900	12000	9000	8800	8000	9000	9500	10600	13000		
1898	12000	13000	9000	9500	10000	9000	8000	7500	9000	11000	13000	14500		
1899	15000	14000	11000	10500	12000	11000	9000	8500	8000	9500	10600	12400		
1897														
1898														
1899														
1897														
1898														
1899														
1897														
1898														
1899														
1897														
1898														
1899														

FIG. 93 (Continued).

for each ledger will be necessary. These files can be hung up or placed in a drawer; in either position there is no danger of the tickets coming off if the hooks are closed. The illustration shows the hooks open.

The Average Book.

As it is quite impossible in a busy bank for the Cashier or the President to run to the bookkeeper's desk to inquire as to the character and condition of the various depositors' accounts every time the question arises—and it often does—it becomes important that they be supplied with the necessary information in such shape as to be quickly available. This information is also very important at the board meetings when loans are to be passed upon. A very useful book has been introduced, and is in use in most busy banks, called an average book, and Fig. 93 shows two adjoining pages, giving the form most commonly in use. This book, as will be seen, is made to run for three years. In this way the banker can easily judge as to the growth or decrease of any depositor's account during that period.

This book is written up monthly by the individual ledger bookkeeper, the average balance of each account for the month, in hundreds and thousands, being entered under its proper month. At the end of the year it is easy to obtain the yearly average, and this is placed in its proper column, as is shown in the illustration. This book should be upon every busy banker's desk, even if he has an analysis department in his bank, as this pertains wholly to the comparative condition of the depositors' accounts during certain periods.

Balancing Pass Books.

One of the most important departments connected with the individual ledger desk is the auditing or pass-book balancing department, because it deals directly with the accounts of the depositors. In small banks the work is done by the bookkeeper or an assistant, but in large banks it is made a separate department with a force of clerks for its work alone.

The depositor often judges of the character of the bank by the manner in which his account is cared for. Many a good depositor has been lost to a bank by the frequent occurrence of errors in his account, and the balancing of the pass books is the best way of discovering the errors.

Pass books should be balanced at least once a month in active accounts, and no account should be allowed to run longer than three months.

Through the individual ledger desk many frauds and defalcations have occurred, generally through collusion with others, and

the careful proving of the accounts by balancing the pass books is one of the best methods of preventing or discovering such.

It sometimes occurs that the pass book of an inactive account is difficult to obtain, notices sent failing to bring the desired attention. In such cases a list of such accounts should be made, and at least every six months the checks should be hunted up, the charges verified from these checks, and the credits verified from the deposit scratcher, or tickets. Better still, if an account is made out from these vouchers and mailed to the depositor with a request for his examination and report.

The pass book previous to being balanced simply shows the sums of money that have been placed to the credit of the depositor's account, either in the form of deposits, or loans, or collections, and this is the depositor's record of these transactions. Too great care cannot be exercised in entering these credits on the pass book, for more than one instance of loss to a bank has occurred by failure to observe this. Suits have been brought by depositors for deposits erroneously entered on the pass book, and the banks have lost in nearly every instance. The pass book is in one sense of the word a receipt to the depositor from the bank for the credits placed in its hands for his account. Looking at it in that light it is easy to see how careful the bank should be.

Depositors frequently make deposits without having their pass books with them. When the bank finally obtains the pass book it is a great temptation to enter these deposits in it from the ledger account, or from the deposit scratcher, but such a practice is dangerous. It is not unusual for deposits to be erroneously credited to the wrong account on the ledger, and instances have occurred of their having been entered in the scratcher in the wrong name. The only safe course is to obtain the deposit ticket and enter the deposit in the pass book from that in every such instance.

A method has been adopted by some banks to save time and prevent errors in this direction. This consists in the adoption of a ticket or slip called a triplicate deposit ticket (see Fig. 94). (It is supposed that the depositor has a duplicate ticket.)

This ticket is the same size and shape as a check, but of a different color (the one shown in the figure is orange color).

When the customer makes a deposit in the manner mentioned, the receiving teller, or his assistant, at once fills out one of these tickets, which is signed by the teller and placed among the checks as a memorandum, the regular deposit ticket going on the file in the usual way.

This ticket is filed with the depositor's checks, and as it is necessary to get out the checks before balancing his pass book, the ticket

naturally comes with them and then becomes a voucher for the credit not appearing on the pass book.

The triplicate tickets, after having served their purpose, are canceled and filed away for a short time by themselves, and finally destroyed.

Some depositors carelessly leave their pass books at the bank continuously, only calling for them every three or six months when they desire to have them balanced. It is needless to speak disparagingly of such a practice. No well-managed bank would allow such a thing. I know of an instance where a depositor was robbed of over $4,000 by a teller and bookkeeper in collusion, by this careless practice.

When a pass book, after having been written up and the balance in it is struck, is found not to agree with the account on the ledger,

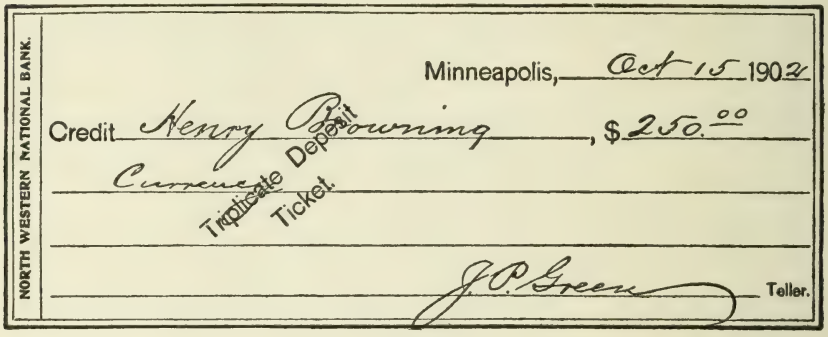


FIG. 94.

it then becomes necessary to check back the items on the pass book with the ledger. Credits or charges may be found on the ledger not on the pass book. Let me say here emphatically *never* copy these items from the ledger on to the pass book. *Always* hunt up the original vouchers, checks or deposit tickets, or the original credits for discounts or collections, and from these only make the entries. When items are found on the pass book not on the ledger, there is pretty good ground for the belief that an error has taken place somewhere, and only by the careful verification of the transactions, as before mentioned, can it be discovered. *Nothing* should be taken for granted, but the difference patiently hunted for until found.

Some banks allow the balancing of pass books and the return of the checks to the depositor when the account is overdrawn. This is an unsafe practice. The book should be written up and the balance struck in pencil; it can then be returned to the depositor for his examination, and he could, of course, be allowed to see any of the checks he might wish; but the checks are the bank's only vouchers

or evidence for the payment of the money, and it is unwise to give them up when the account is overdrawn.

It is customary to send out notices to depositors who are negligent about leaving their pass books to be balanced. One of the forms very commonly used is seen below.

CENTRE CITY, Pa., August 4, 1902.

Please send your bank book for settlement, and oblige.

Very respectfully,

MERCHANTS' NATIONAL BANK.

Some, however, may feel that this sounds a little short, and desiring to treat their customers with every courtesy, prefer a notice like the following:

NATIONAL RESERVE BANK,
PHILADELPHIA, PA., May 29, 1902.

J. B. Paddock, City.

Your bank book has not been written up since December 29, 1901. Please send it in, and we will balance it.

Respectfully,

T. H. BROWN, *Cashier.*
Per SMITH, *Bookkeeper.*

Some banks when balancing pass books do not return the checks to the depositors, taking the position that they are in reality the vouchers of the bank for the payment of money or its equivalent. Depositors generally contend that the checks are their vouchers, as many of them, made payable to order, are their only receipts. The banks above mentioned contend that the depositor should have a more complete receipt in the shape of a receipted voucher or bill, and in this they are about right, as an endorsed check may be worthless as a receipt in various ways. Most banks, however, give up the checks, and often feel glad to be rid of so many papers, which accumulate rapidly.

When a pass book has been balanced, or a statement of the depositor's account made out, as shown by the duplicate ledger system mentioned, it is customary with many of the best banks to enclose with the pass book or statement a receipt to be signed by the depositor and returned to the bank. The following shows such a receipt:

Received from THE FOURTH STREET NATIONAL BANK OF PHILADELPHIA, statement of my account to ———, with ——— vouchers, showing balance in ——— favor of $———. I agree to examine the statement carefully, and if not correct, to give notice and make all reclamations within a reasonable period.

Philadelphia, ———, 190—. ——————— ———————.

PLEASE SIGN AND RETURN. ——————— ———————.

[To be signed by the depositor.]

This is an excellent system, and it would be well if banks would adopt it generally.

Some banks prefer a simpler form, similar to that shown in Fig. 95.*

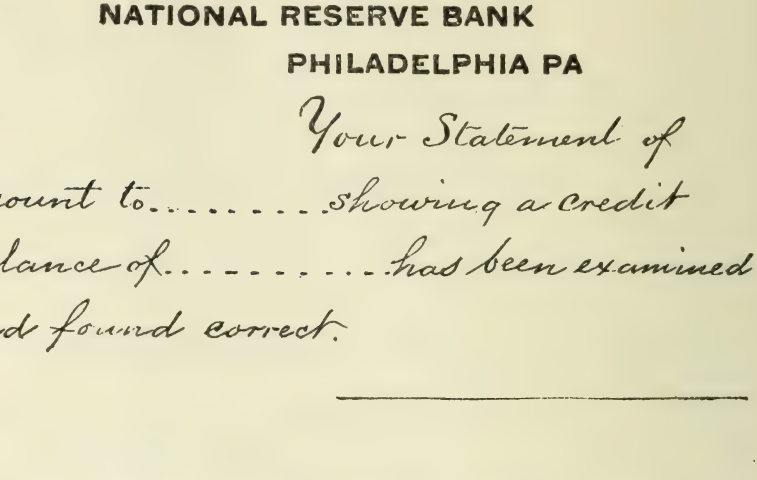

NATIONAL RESERVE BANK
PHILADELPHIA PA
Your Statement of
account to.....showing a credit
balance of.....has been examined
and found correct.
N.B. Please sign and fill out this slip and return

FIG. 95.

WHO SHOULD BALANCE THE PASS BOOKS.

The balancing of the pass books is supposed to be the proof of the correctness of the accounts, and to assure the bank of this it is safe to take certain precautions. First of all the bookkeepers, wherever possible, or those who make the entries, should not write up or balance the pass books. It is a very simple thing for the bookkeeper to work in collusion with a depositor, give him false credits, and if allowed to balance the pass books himself, to cover his tracks for a considerable time.

Collusion sometimes takes place inside the bank. A bookkeeper and teller, in a certain bank, worked in collusion; the bookkeeper, when reporting his total checks paid during the day, would report $1,000 more than was actual, or when reporting his deposits would report $1,000 less than actual. Of course, the teller's cash would in either case have been over, but no "overs" appeared, the cash making it up having been abstracted, and the two scamps divided the spoils. Where two entries and footings of the checks or deposit tickets are made, this is more difficult, as it would require a collu-

* This is intended to be placed in each pass book when balanced, that the depositor after making the proper examination may fill out and sign and return.

sion with a third party. But I know of an instance where even this was done for several years, two of the three being brothers.

While the customary form of a pass book is familiar to most bankers, yet there being several methods of writing them up, or balancing them, I give here two of the most common forms. In Fig. 96 is seen the face of both sides of a pass book, written up and balanced in the most customary way. In large banks where the accounts are numerous and active the labor is too great to enter the checks in the pass book as shown below. Two very good methods are adopted in such cases; one is to use an auxiliary pass book exclusively for the checks; these are entered in this book daily as they are charged up to the account, and being footed as the work pro-

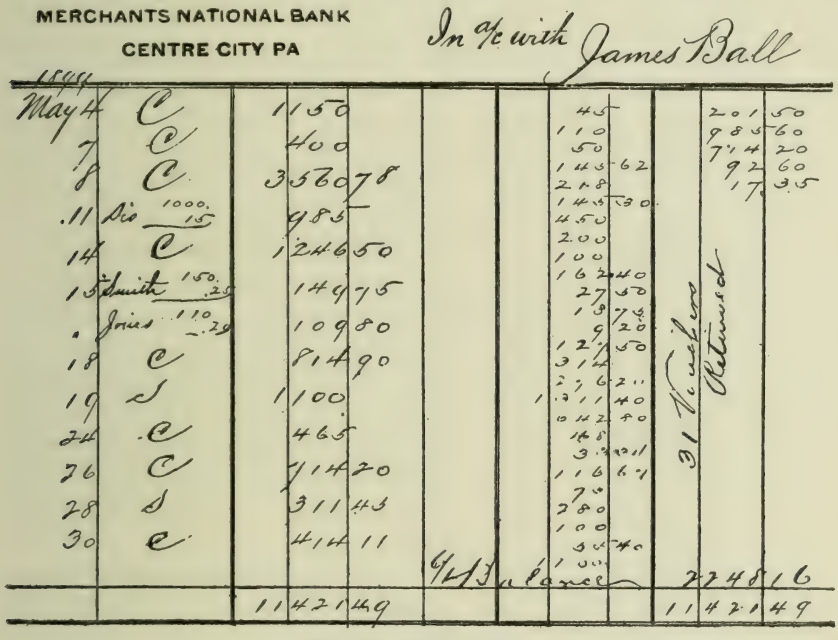


FIG. 96.—PASS BOOK.

gresses, when the pass book containing the deposits is left to be balanced it is only necessary to enter the total of the checks in this pass book and strike the balance, the detail having been completed.

Another method quite popular with some large banks, especially where a special force is employed for the balancing of pass books, is the use of a slip like that shown in Fig. 97.

The checks are kept written up daily, as with the auxiliary pass books mentioned. In the slip shown the number of the checks or vouchers is easily determined, because of the column of numbers, each slip holding 100 checks. The clause at the bottom about sign-

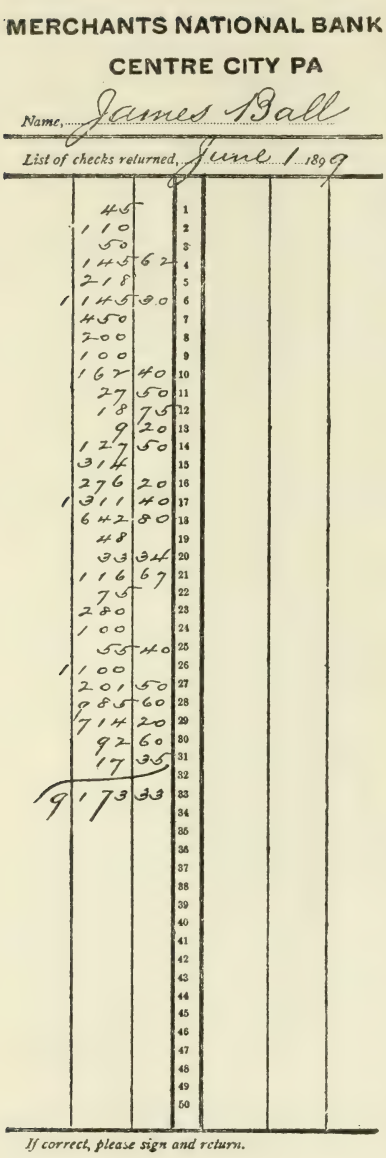

MERCHANTS NATIONAL BANK
CENTRE CITY PA
Name, James Ball
List of checks returned, June 1 1899
If correct, please sign and return.

FIG. 97.—CHECK SLIP.

ing and returning is excellent, as it becomes an acknowledgment from the depositor of the correctness of his account. In the writing up of the checks upon slips the adding machine comes extensively into use, because of the rapidity and certainty with which the work can be done by this means.

Then there is the system of statements mentioned before. Some banks use the statements where they do not use the duplicate ledgers, posting the charges and credits daily from the checks and deposit tickets, but not striking a balance till the close of the month. This is done by the pass book balancing department.

After the paid checks have passed from the teller to the bookkeeper, and the teller has balanced his cash, they become the vouchers of the bookkeeper, and the teller should not have access to them except by applying to the bookkeeper or the check clerk. After the checks have been completely entered in the books they should be canceled in such a way as to prevent their use again.

A paying teller who had free access to everything took from the tills checks that had been formerly paid, cashed them, putting the money in his pocket, and placed them on his spindle. Of course his cash balanced. The checks being charged twice to the depositors' accounts, it became necessary to watch for their pass books. He did so, and when they came in, very kindly offered to help; thus he covered his tracks for a while, but of course was eventually discovered. The bank, however, had lost $75,000. Had the checks been mutilated when filed away, or the teller not permitted to have access to them, this could hardly have happened.

Lost or Mislaid Checks.

The checks cannot be too carefully cared for. Accidental loss of checks has caused serious loss to banks in more than one instance that I know of. It is customary in many banks, in case of lost or mislaid checks, when balancing the pass books to insert a slip in place of the missing check, giving the date of the charge and the amount, and stating "check missing." This is a dangerous custom. In several instances within my recollection these depositors sued the banks, declaring they never gave any such checks, and the banks lost.

A teller, who had access to the check tills, and where the checks were not mutilated, would take a check from the tills, cash it for himself, and place it on his file, as the one before mentioned. After the charging up and distribution of the checks to the tills, he would again obtain the same check and tear it up. When the pass book was balanced of course there were missing checks which were explained by the slips. The robbery was eventually discovered, but not until several thousand dollars had been stolen.

Issue of Checks in Duplicate.

It quite often happens that a customer desires, for some reason best known to himself, to stop payment on a check, or a check may have been lost in the mail, and it has become necessary to issue a duplicate, in which case, of course, payment upon the original needs to be stopped. In cases of this kind a notice in writing should be given to the paying teller, and the individual ledger bookkeeper should also be notified that he may place the name and description of the check to be stopped upon a list to be kept before him for ref-

☞ **In issuing a duplicate Check please mark DUPLICATE across the face.**

Centre City Pa May 11, 1899.

MERCHANTS NATIONAL BANK

If not paid before receipt of this notice, please stop payment of Our *Original Check, No.* 196, *dated* May 2d, 1899 *payable to* Brown, Smith & Co. *for $* 142.50

Signed, Williams, Carr & Co.

Fig. 98.

erence. The names on these lists should always be arranged alphabetically, that they may be readily found.

One of the best forms for a stop payment notice is here shown in Fig. 98.

If these notices are printed in red ink it will be found an advantage, as making a greater contrast between the printing and black ink writing.

CHAPTER IV.

THE LOANS AND DISCOUNTS.

Care in Making Loans.

It is part of the chief business of a bank to loan money. As a business institution it must make sufficient to pay its expenses, lay aside a certain surplus, which the law requires, especially with National banks, and if it wishes to continue in good favor with its stockholders, at least pay a fair rate of interest upon its capital stock. From the loaning of money is derived the chief part of this revenue. The National Banking Act under section 5136 defines the incidental powers of a National bank as follows:

"To exercise by its board of directors, or duly authorized officers or agents, subject to law, all such incidental powers as shall be necessary to carry on the business of banking; by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin and bullion; by loaning money on personal security; and by obtaining, issuing and circulating notes according to the provisions of this title."

As will be seen by this section the board of directors is considered the main directing body in the bank. This is a wise provision, for in no one man is all wisdom and knowledge found. The principal business of a board of directors is supposed to be the selection of the paper upon which the loans are made, and in consequence of this it is very desirable that the board be made up of representative men from various branches of trade, manufactures, etc., who can thus by their varied knowledge and experience aid in the matter of standing and credits.

As the board of directors seldom meets more frequently than twice a week, and in small banks only once a week, the paper that is offered in the interim, or between boards, is usually acted upon by the President, Cashier, or a finance committee which meets every day. At the next meeting of the board, however, all the paper discounted during the interim should be presented to the board for its examination and action, and any real dissatisfaction over any loan

should result in the selling or disposing of that piece of paper as soon as practicable.

The first claim upon the bank for loans naturally belongs to its depositors, in proportion to the value of their respective deposit accounts. After their wants are satisfied any remaining surplus funds can be used to loan to outsiders, or for the purchase of paper from the note brokers. In relation to this last method of using the bank's available funds, I will state that an eminent judge in the United States court, in a case in which I was interested, ruled that it was illegal for a National bank to go into the market and buy paper; that such powers were not given to it by the National Banking Act. Technically speaking, this is no doubt true, but for many years custom has permitted the banks to use their available funds in this way, and a large proportion avail themselves of this means of employing their otherwise unused funds.

Before proceeding to discount paper, it is necessary for the board or proper officers to know what available resources the bank has for that purpose. This information is obtained from the daily statement book, a full description of which is to be found in the description of the general ledger in the preceding chapter. The note tickler, which will be described later on, should show what paper will be due upon any day, and by referring to this upon the day of meeting the board can see what funds can be reloaned, and thus keep the bank's money actively employed.

The Credit Department.

One very necessary adjunct to the discounting department, especially in a large and busy bank, is a credit or information department, for it is exceedingly important, particularly when loaning upon the ordinary single-named time paper, that the standing of the proposed borrower be known. The standing or credit, as enquired into, should cover more ground than merely his present financial condition. His past history as far as possible should be obtained. His character should be learned, for if a dissipated man or one disposed to gamble or to plunge into risky speculations, he should be handled very cautiously and loans only made him upon sufficient collateral security. His manner of transacting his business should be learned, for carelessness in business is sure to bring its losses. If he is disposed to be tricky or dishonest in dealing, the bank had better have nothing to do with him.

To aid the officers and directors in coming to conclusions regarding the value of certain customers, and the probable line their accounts are entitled to, the use of the average book, as fully described, will be found of great service. If the bank is large enough to war-

rant it, the use of an analysis department, as previously described, will be found invaluable.

It often occurs that special inquiries need to be made as to the standing of the proposed borrower. The use of commercial agency reports will be found helpful in a measure, and special reports from these agencies can be obtained, but not always as quickly as needed. Here is where the need of a credit department is to be found.

In every well-organized business, of any size, a careful consideration of credits before filling the orders is always made. If this be so in the mercantile and manufacturing world, it should be more carefully and thoroughly attended to in the financial world.

In small banks the discount clerk or the Cashier can attend to the duties, for in the small towns and cities, where all are acquainted with each other, the duties would be comparatively light, but it should not be overlooked upon the ground of acquaintance. In large cities, however, it will be found economy to have an experienced credit man in every bank, whose business it is to keep himself posted regarding the assignments, judgments, conveyances, mortgages, petitions in bankruptcy, etc., that may concern the bank's customers. He should keep himself posted upon the conditions of trade. He should see all paper presented for discount, make a memorandum or record of it, and should at once set the proper inquiries on foot to be able to report upon the standing of the parties. These inquiries may be to the commercial agencies or to members of the trade. All information obtained should be properly recorded and filed so it can be referred to on a moment's notice. He should be promptly notified of all protests either of checks or notes, and make memoranda of the same. All statements from would-be borrowers should be taken charge of by him and properly filed and recorded.

Statements from Borrowers.

It frequently becomes necessary for the bank to require a statement from a customer, and the question often arises as to the best form for such a statement. These statements are usually made up by the parties themselves upon blank paper, simply a very brief showing of assets and liabilities in aggregates. There is nothing to prevent their being manufactured to suit the desires of the parties presenting paper for discount, and it is very difficult to obtain any redress if it is proven that they are not true.

I give here in Fig. 99 the form that has been adopted by the New York State Bankers' Association, which is considered very complete.

As some banks may prefer a form not quite so extensive, I give here in Fig. 100 an excellent one that is in use by many well-managed institutions.

The following statements (Figs. 99 and 100) represent two conditions, Fig. 99 representing a favorable and Fig. 100 an unfavorable statement, as an examination will show.

It will certainly be agreed that it is far better to have the state-

To The National Reserve Bank New York

For the purpose of procuring and establishing credit from time to time with the above Bank for claims and demands against the undersigned, the undersigned furnish the following as being a true and correct statement of his or their financial statement of his or their condition on the Thirty first *day of* December *1899, and agree that in case any change occurs that materially reduces his or their ability to pay all claims and demands against him or them, the undersigned will notify the said Bank without delay.*

In consideration of granting any credit by said Bank, the undersigned agree that in case of failure or insolvency on the part of the undersigned, or in the event of it appearing at any time that any of the following representations are untrue, or in case of the occurrence of such change as aforesaid or of failure to notify such change as above agreed, all or any of the claims or demands against the undersigned held by said Bank, shall, at the option thereof, immediately become due and payable.

Further, that the exercise of or omission to exercise such option in any instance shall not waive or affect any other or subsequent right to exercise the same.

ASSETS.			LIABILITIES.		
Cash on hand Office	354	65	Bills Payable for Merchandise	72650	75
Cash in Nat. Reserve Bank, N.Y.	11267	50	Bills Payable to own Banks	10.000	
Bills Receivable, good, due from Customers	46765	68	Bills Payable for Paper Sold		
Bills Receivable, due from Partners	0		Open Accounts	268455	16
Accounts Receivable, good, due from Customers	206842	95	Deposits of Moneys with us		
Accounts Receivable, due from Partners	0		Mortgages or Liens on Real Estate	500	
Merchandise (At actual present cash value)	187658	72	Other Indebtedness, and of what composed:		
Real Estate belonging to Firm	20.000				
Machinery and Fixtures	15000				
Other Assets, and of what composed: Horses + Wagons	5000				
Office furniture	1800				
			Total Liabilities	356105	91
			Net Worth	133578	59
Total	489684	50	Total	489684	50

Contingent Liability. Accommodation Endorsements None

Endorsed Bills Receivable Outstanding None

Names in full of all General Partners. John B. Gray

Henry S. Jones

Names in full of Special Partners with amounts contributed by each, and until when. George N. Brouson 25000 Jany 1/1905

Date of organization and expiration of Partnership Jany 1 1895 Expires Jany 1 1905

State last date of taking trial balance and if same proved Dec 31/99 Proved

Memorandum

Please Sign here C. Gray Jones & Co

By John B. Gray

Date Signed Jany 10 1900

FIG. 99.—APPLICATION FOR CREDIT (STANDARD FORM, NEW YORK STATE BANKERS' ASSOCIATION).

ments made upon some regular prescribed form, drawn up in such a way as to be, in a measure at least, some protection to the bank, than the haphazard method in use by many.

The methods of filing or caring for these reports and statements differ with the ideas of the Cashiers of various banks, according to

To the NATIONAL RESERVE BANK of Philadelphia.

Firm Name *Adams and Stone* Business *Wholesale Grocers*

Address *231 South Emlen St.*

For the purpose of procuring credit with the above bank for our negotiable paper, we furnish the following as being a fair and accurate statement of our financial condition on the *31st* day of *Dec.* 189*9*

ASSETS.				LIABILITIES.			
Cash		7 68	50	Bills Payable for Merchandise	70 43	2	50
Bills Receivable, Good	25	36 2	50	Bills Payable to Banks	25	000	
Accounts Receivable, Good	168	46 5	17	Open Accounts	176	23 5	50
Merchandise, (How Valued *Cost*)	70	24 8	16	Loans on Deposits	23	000	
Real Estate in Name of Firm	20	000		Mortgages or Liens on Real Estate	6	000	
Machinery and Fixtures	15	000		Other liabilities and of what composed:			
Other Assets and of what composed: *Horses & Wagons*	5	000					
Office Furniture	1	500					
				Total Liabilities	300	6 68	30
				Net Worth		5 67 6	03
Total	306	3 44	33	Total	306	3 44	33

State last date of taking trial balance proof *Dec. 31. 1899*

Regular times of balancing books *monthly*

Names of all General Partners. *F. D. Adams*, *Geo. W. Stone*

Names of Special Partners with amounts contributed by each and until when.

Memorandum

Please sign here *Adams & Stone*

By *Geo. W. Stone*

FIG. 100.—APPLICATION FOR CREDIT.

the requirements, a large city bank naturally requiring a more elaborate system than a small bank in the country.

In small banks an indexed scrap-book of good size, in which can be pasted the various reports and statements, will be generally found all that is necessary.

Of the systems I have seen the best that has presented itself has been the use of filing cases and heavy manila envelopes conveniently fitting the cases to hold the reports and statements. It will be found preferable to have the envelopes open at the end. They should have printed on the back a place for number, name and address; then if they are filed by number consecutively, and an index kept, there will be no difficulty in referring to any that may be needed at a moment's notice, no matter how great the number. Fig. 101 shows the style of envelope mentioned.

THE DIFFERENT KINDS OF LOANS.

The classes of loans chiefly made by banks are time and demand, or, as sometimes denominated, call. With the latter class it is customary to require collateral security, such as bonds, stocks, ware-

house receipts, and other evidences of actual property. In these cases care should be taken that the proper transfers or assignments of the security be made. Collateral is sometimes given with the time paper, but not usually, except it be single-name paper, as the maker or endorsers are considered good for the loan. A form of time loan that is considered among the best is that upon notes received by merchants for actual business transactions or value received. Such paper generally has some genuine foundation.

Another form of loan in favor in some sections of the country is that made upon short-time paper, generally drafts, with bills of lading attached for produce shipped. If the produce is in a measure non-destructible, and a safe margin is allowed below the market price of the produce, it is generally a pretty safe business; but care should be taken to see that the bill of lading be made in favor of the bank. One danger, which has been met with in more than one instance, is that the party upon whom the draft is drawn has taken advantage of his personal acquaintance with the employees of the carrying company (railroad or steamboat) to get possession of the goods without the bill of lading, and then refused to pay the draft. This at least leads to trouble if not actual loss. It is a wise provision of the National Banking Act which prevents National banks from loaning money upon real estate. This class of loans in reality belongs to the Savings banks, which from the nature of their business are much better able to handle it. A commercial bank should confine itself to that class of loans upon which it can realize quickly.

No. 178.

Name: *J. C. Potter.*

Address: *345 Centre St.*

Centre City, Pa.

FIG. 101.

The various forms of notes, while familiar to many, still may be of service to consider. First is the usual form of time note, generally made for one, two or three months (thirty, sixty or ninety days). In Fig. 102 will be seen this form. Where interest is desired to be specified it is customary to write it after the clause "value received."

In Fig. 103 will be seen another form of time note, and one that is coming much in favor from the fact that it specifies the due date

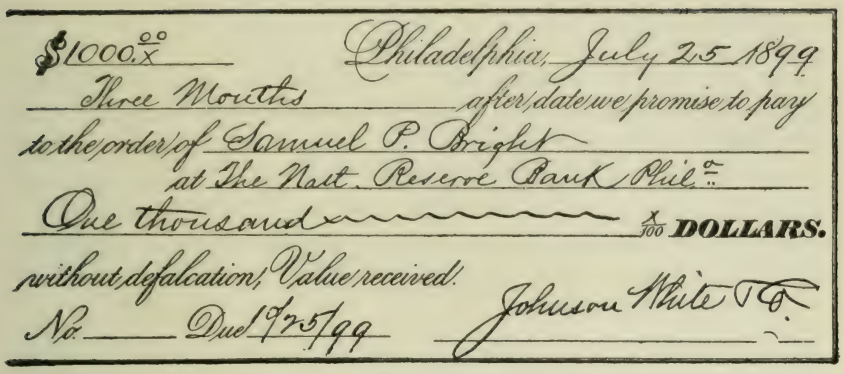

$1000.00/x Philadelphia, July 25 1899
Three Months after date we promise to pay
to the order of Samuel P. Bright
at The Nast. Reserve Bank Phila.
One thousand 00/100 DOLLARS.
without defalcation, Value received.
No. Due 10/25/99 Johnson White & Co.

FIG. 102.

in the body of the note. This enables the drawer of the note to make an accurate memorandum of the due date, or to name some specific date best suited to him.

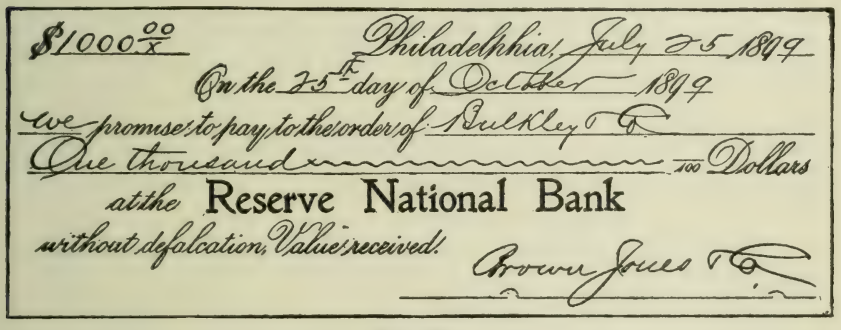

$1000.00/x Philadelphia, July 25 1899
On the 25th day of October 1899
we promise to pay, to the order of Bulkley & Co.
One thousand 00/100 Dollars
at the Reserve National Bank
without defalcation, Value received.
Brown Jones & Co.

FIG. 103.

In consequence of the laws of some States enabling men who are disposed to take advantage of them, and thereby avoid the payment of their obligations by claiming certain exemptions, banks in those sections have been obliged to use notes containing a waiver of the

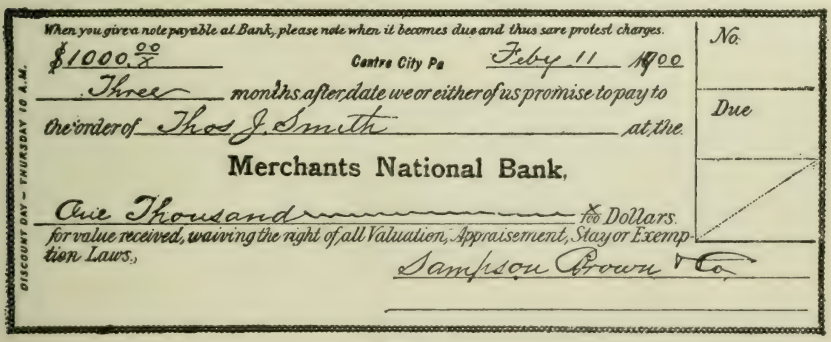
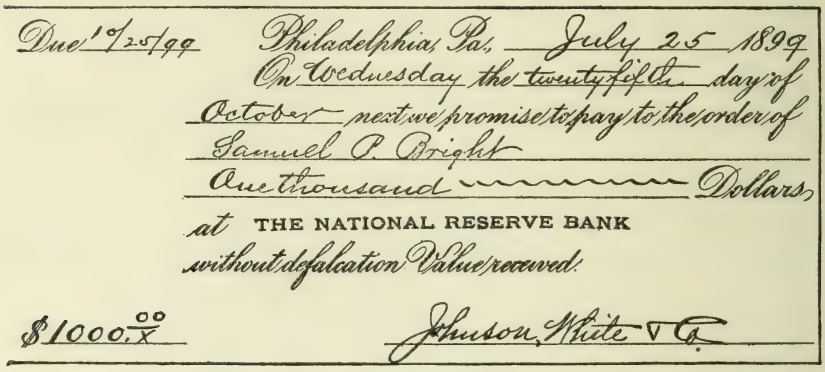

When you give a note payable at Bank, please note when it becomes due and thus save protest charges.
No.
$1000.00/x Centre City Pa Feby 11 1900
Three months after date we or either of us promise to pay to
Due
the order of Thos J. Smith at the
Merchants National Bank,
One Thousand 00/100 Dollars.
for value received, waiving the right of all Valuation, Appraisement, Stay or Exemption Laws.
Sampson Brown & Co.
DISCOUNT DAY — THURSDAY 10 A.M.

FIG. 104.

exemption. Such a form, in use in some sections of the country, is here shown in Fig. 104.

This form also shows a convenient arrangement for a special location for the number, due date, and any memoranda necessary. This is an excellent idea, being very systematic and enabling the banker to know just where to look on the note for this information, a fact that is too often uncertain, as sometimes these data are placed on the back of the note, and sometimes on the face, sometimes on the upper side and sometimes on the lower, or in fact it too often occurs that any convenient spot suffices.



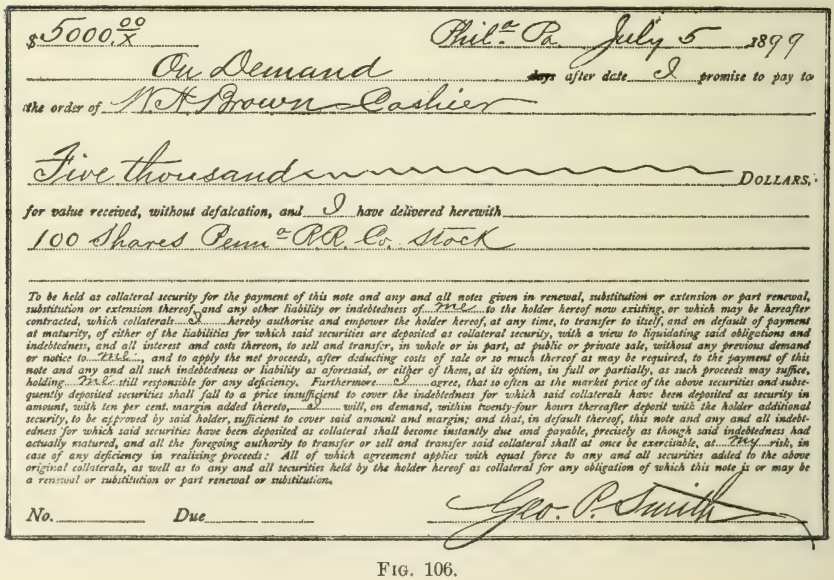
Due 1/25/99 Philadelphia, Pa. July 25 1899

On Wednesday the twenty fifth day of October next we promise to pay to the order of Samuel P. Bright One thousand ~~~~~ Dollars, at THE NATIONAL RESERVE BANK without defalcation Value received.

$1000.00 X Johnson, White & Co.

FIG. 105.

In Fig. 105 will be seen a similar note, but it has the addition of



$5000.00 X Phila Pa July 5 1899

On Demand days after date I promise to pay to the order of W. A. Brown Cashier

Five thousand ~~~~~ DOLLARS,

for value received, without defalcation, and I have delivered herewith

100 Shares Penn'a R.R. Co. stock

To be held as collateral security for the payment of this note and any and all notes given in renewal, substitution or extension or part renewal, substitution or extension thereof, and any other liability or indebtedness of ~~~ to the holder hereof now existing, or which may be hereafter contracted, which collaterals I hereby authorize and empower the holder hereof, at any time, to transfer to itself, and on default of payment at maturity, of either of the liabilities for which said securities are deposited as collateral security, with a view to liquidating said obligations and indebtedness, and all interest and costs thereon, to sell and transfer, in whole or in part, at public or private sale, without any previous demand or notice to ~~~, and to apply the net proceeds, after deducting costs of sale or so much thereof as may be required, to the payment of this note and any and all such indebtedness or liability as aforesaid, or either of them, at its option, in full or partially, as such proceeds may suffice, holding ~~~ still responsible for any deficiency. Furthermore I agree, that so often as the market price of the above securities and subsequently deposited securities shall fall to a price insufficient to cover the indebtedness for which said collaterals have been deposited as security in amount, with ten per cent. margin added thereto, I will, on demand, within twenty-four hours thereafter deposit with the holder additional security, to be approved by said holder, sufficient to cover said amount and margin; and that, in default thereof, this note and any and all indebtedness for which said securities have been deposited as collateral shall become instantly due and payable, precisely as though said indebtedness had actually matured, and all the foregoing authority to transfer or sell and transfer said collateral shall at once be exercisable, at my risk, in case of any deficiency in realizing proceeds: All of which agreement applies with equal force to any and all securities added to the above original collaterals, as well as to any and all securities held by the holder hereof as collateral for any obligation of which this note is or may be a renewal or substitution or part renewal or substitution.

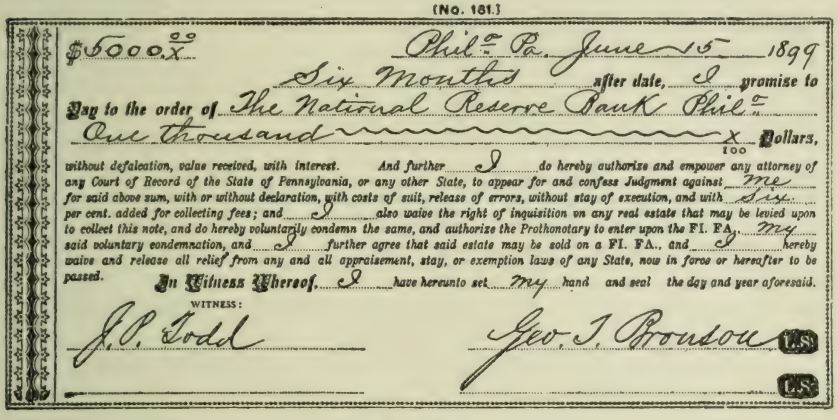
No. ~~~ Due ~~~ Geo. P. Smith

FIG. 106.

the day of the week upon which the note will come due. This enables the drawer to avoid Sundays, holidays, pay-days, etc., and is found convenient by many.

Fig. 106 represents a good form for a collateral note. It may be used either as time or demand, as will be seen. While it is a little more full in its contract than the ordinary collateral form, still it is much more complete.

There are times when banks have to handle judgment notes, chiefly as security for some deferred claim. Fig. 107 gives the usual form for such a note.



(No. 181.)

$5000.00 Phil.a Pa. June 15 1899

Six Months after date, I promise to

Pay to the order of The National Reserve Bank Phil.a

One thousand 100 Dollars,

without defalcation, value received, with interest. And further I do hereby authorize and empower any attorney of any Court of Record of the State of Pennsylvania, or any other State, to appear for and confess Judgment against me for said above sum, with or without declaration, with costs of suit, release of errors, without stay of execution, and with five per cent. added for collecting fees; and I also waive the right of inquisition on any real estate that may be levied upon to collect this note, and do hereby voluntarily condemn the same, and authorize the Prothonotary to enter upon the Fi. Fa., my said voluntary condemnation, and I further agree that said estate may be sold on a Fi. Fa., and I hereby waive and release all relief from any and all appraisement, stay, or exemption laws of any State, now in force or hereafter to be passed. In Witness Whereof, I have hereunto set my hand and seal the day and year aforesaid.

WITNESS:

J. P. Todd Geo. I. Brouson L.S.

L.S.

FIG. 107.

Many banks have recently adopted a method of loaning money on call or demand upon a form of contract, which is intended to cover not only money loaned, but any money paid for the use or account of the contracting party, or for any overdraft, or upon any endorsement, draft, guarantee or any other claim. This form of contract is used chiefly with brokers and is always accompanied by collateral. The usual form for these contracts is given below:

KNOW ALL MEN BY THESE PRESENTS, That the undersigned, in consideration of credits or advances hereafter to be made to the undersigned by THE RESERVE NATIONAL BANK OF PHILDELPHIA, hereby agree with the said bank that whenever the undersigned shall become directly or contingently indebted to the said bank for money lent, or for money paid for the use or account of the undersigned, or for any overdraft or upon any endorsement, draft, guarantee or in any other manner whatsoever, or upon any other claim, the said bank shall then and thereafter have the following rights, in addition to those created by the circumstances from which such indebtedness may arise against the undersigned, or his, or their executors, administrators or assigns, namely :

1. All securities deposited by the undersigned with said bank, as collateral to any such loan or indebtedness of the undersigned to the said bank, shall

also be held by said bank as security for any other liability of the undersigned to said bank, whether then existing or thereafter contracted; and said bank shall also have a lien upon any balance of the deposit account of the undersigned with said bank existing from time to time, and upon all property and moneys of the undersigned of every description left or deposited with said bank for safe-keeping or otherwise, or coming to the hands of said bank in any way, as security for any liability of the undersigned to said bank now existing or hereafter contracted.

2. Said bank shall at all times have the right to require from the undersigned that there shall be delivered to said bank, as security for all existing liabilities of the undersigned to said bank, approved collateral securities to an amount satisfactory to said bank; and upon the failure of the undersigned at all times to keep a margin of securities with said bank for such liabilities of the undersigned, satisfactory to the said bank, or at the market value thereof equal to twenty per cent. in excess of such liabilities, or upon any failure in business or making of an insolvent assignment by the undersigned, then and in either event all liabilities of the undersigned to said bank shall at the option of said bank become immediately due and payable, notwithstanding any credit or time allowed to the undersigned by any instrument evidencing any of the said liabilities.

3. Upon failure of the undersigned either to pay any indebtedness to said bank when becoming or made due, or to keep up the margin of collateral securities above provided for, then and in either event said bank may immediately, without advertisement, and without notice to the undersigned, sell any of the securities held by it as against any or all the liabilities of the undersigned, at private sale or broker's board or otherwise, and apply the proceeds of such sale as far as needed toward the payment of any or all of such liabilities, together with interest and expenses of sale, holding the undersigned responsible for any deficiency remaining unpaid after such application. If any such sale be made at brokers' board or at public auction, said bank may itself be a purchaser at such sale free from any right or equity of redemption of the undersigned, such right and equity being hereby expressly waived and released. Upon default, as aforesaid, said bank may also apply toward the payment of the said liabilities all balances of any deposit account of the undersigned with said bank then existing.

It is further agreed that these presents constitute a continuing agreement, applying to any and all further transactions between the undersigned and said bank. BRONSON, WHITE & CO.

Dated, PHILADELPHIA, Pa., the 12th day of January, 1902.

It is customary for the discount clerk to send a notice to the makers of the various notes made payable at bank a week or ten days before they are due. This is not obligatory on the part of the bank, but is the general custom and is done out of courtesy. The customary form of such notice is as follows

MERCHANTS' NATIONAL BANK,
CENTER CITY.

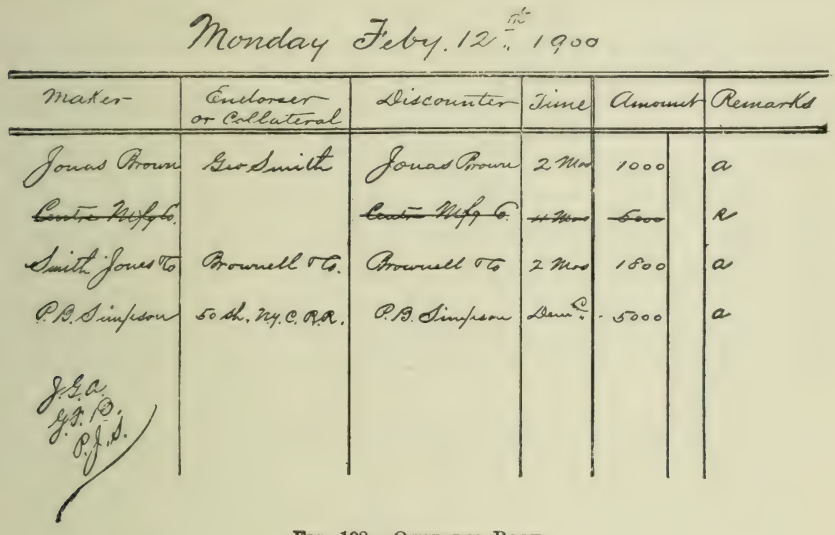
Mr. ———— ————.

Your note for $——— will be due at this bank ——— 1902.

It is the custom in some banks to send a notice to the endorsers of paper, giving a description of the paper. This is done as a protection against forged or fraudulent endorsements.

Loan and Discount Records.

It is particularly important that all the records of the loans and discounts be kept with extreme care, so clearly as to be self-explanatory, and that the transactions be easily traceable at any time by any one, either clerk, officer, or director. With many it is often the custom to have the forms for the keeping of these records so abbre-



Monday Feby. 12th 1900

Maker	Endorser or Collateral	Discounter	Time	Amount	Remarks
Jonas Brown	Geo Smith	Jonas Brown	2 Mos	1000	a
~~Centre Mfg Co~~		~~Centre Mfg Co~~	~~2 Mos~~	~~5000~~	R
Smith Jones & Co	Brownell & Co	Brownell & Co	2 Mos	1800	a
P. B. Simpson	50 sh. N.Y.C. R.R.	P. B. Simpson	Dem'd	5000	a
J.S.a J.S.B. P.J.S.					

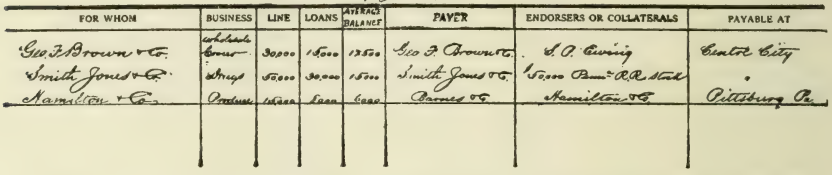
Fig. 108.—Offering Book.

viated, using private signs or marks understood only by themselves, that any change of employees in this department is apt to cause trouble. A regular system for the course of all paper upon which money is to be loaned, or has been loaned, should be adopted, and whatever the system, provided, of course, that it is a *system*, let it be carried out without deviation.

Where the board of directors meets only once a week, or once a month, as often occurs, it is necessary that some of the officers be authorized to decide upon the loans that may be presented between the board meetings. This generally devolves upon the President or Cashier, sometimes both. Whichever officer passes upon the loan, he should place his initial, or initials, on one corner of the note, generally the upper left hand. This is evidence that he has seen it and passed upon it. No discount or loan should be placed upon the books of the bank until it has been so initialed. Where there is a discount

or finance committee which meets every day to pass upon loans, an excellent plan is to have at least three of the committee place their initials in small letters on some obscure portion of the note.

Where an offering book is used it is customary, after marking off such paper as is refused, for the members of the committee present

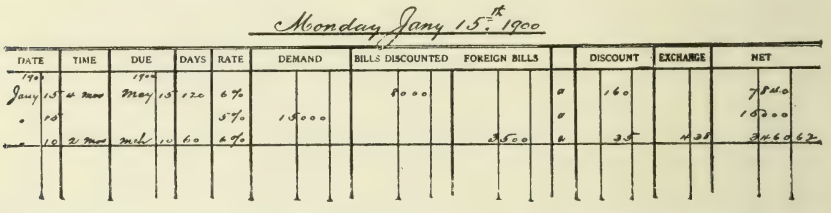

Monday Jany. 15th 1900.

FOR WHOM	BUSINESS	LINE	LOANS	AVERAGE BALANCE	PAYER	ENDORSERS OR COLLATERALS	PAYABLE AT
Geo F Brown & Co.	wholesale grocer	30000	15000	12500	Geo F Brown & Co.	L O Ewing	Center City
Smith Jones & Co.	Drugs	50000	30000	15000	Smith Jones & Co.	50000 Penn R R Stock	"
Hamilton & Co.	Produce	15000	5000	6000	Barnes & Co.	Hamilton & Co.	Pittsburg Pa.

FIG. 109.—COMBINED OFFERING BOOK AND DISCOUNT REGISTER (LEFT-HAND PAGE).

to either sign their names or place their initials at the bottom of the page, or at the day's offering.

Only in the large banks in our cities can the offering book be found useful. Fig. 108 gives the simplest form for such a book. In this figure one loan is seen rejected; it is marked with the letter R and is ruled off. The ruling off is done by the discount clerk after the book has been marked by the committee. The initials of the committee are seen in the lower left-hand corner. Another form for an offering book, which is in use in a large and active bank, is shown


Monday Jany 15th 1900

DATE	TIME	DUE	DAYS	RATE	DEMAND	BILLS DISCOUNTED	FOREIGN BILLS		DISCOUNT	EXCHANGE	NET
1900 Jany 15	4 mos	May 15	120	6%		8000			160		7840
" 15				5%	15000						15000
" 10	2 mos	mch 14	60	6%			3500		35	4.38	3460.62

FIG. 109 (Continued).—COMBINED OFFERING BOOK AND DISCOUNT REGISTER (RIGHT-HAND PAGE).

by Fig. 109. This book serves not only as an offering book but also for a discount register. The paper is entered on this book in full. Besides this, interesting and important information for the committee is entered opposite each name, giving the business of the applicant, the line of discount allowed him, the amount of loans he already has obtained from the bank, and the average balance as shown by his individual account for a month previous to his present application. In Fig. 109 (continued) showing the right-hand page of the same book, the loans are shown divided into three classes—demand, bills discounted and foreign bills. The totals of these columns are posted each day to their respective accounts on the general ledger.

It will be found of advantage in every bank doing much business

to separate the demand loans from the time loans, and in a bank doing a large foreign business the still further subdivision of a separate account for the foreign bills is a decided advantage. An improvement upon the form shown would, I think, be the addition of a column for numbers.

There are some banks that do not use the system of numbering their discounted paper. Still, my experience has shown me that it is an advantage to do so.

Turning for a moment from banking to other business interests where many papers are handled, such as trust companies, insurance companies, Savings banks, railroad companies, and building and loan associations, and in fact most all large corporations, they have found by experience that a proper system of numbering for their various documents, shares of stock, mortgages, loans, accounts (in Savings banks and building and loan associations), policies, vouchers, etc., was almost indispensable. If such a system proves itself of value to these institutions, it certainly will to banks, where the most careful system should be found. With the duplicating numbering hand stamp now in use it is a simple matter to number each piece of paper at the same time that the number is placed in the proper column on the register. One small column will be seen in Fig. 108 in which is shown the letter A. This column is used in the board room in which to mark the paper, the letter A meaning accepted. If any paper is rejected, it is ruled off in red ink by the discount clerk, who is of course notified, and who sees an R in place of an A in the column mentioned.

In those banks where an offering book by itself would hardly be of use, and they are in the majority, it is customary to present the discount register to the board at their meetings, together with the paper that has been passed upon by the bank's officers in the interim. The paper should be carefully examined by the board and the corresponding records on the discount register compared.

The discount register is the book upon which the records of the discounted paper or loans are kept. The record shows a complete description of the paper, the names of borrower and endorser, the time it has to run, when it will become due, the amount of discount charged, and the amount of the proceeds. This is the customary form and is shown by Fig. 110, which gives the adjoining pages of the book.

In Fig. 110 will be seen a column styled sundry account. This represents such paper as is bought by the bank, or loans made to those not customers of the bank, where a Cashier's check is given for the proceeds. Some banks call it Cashier account; others again consider that the charging of these items to an account styled Cash-

Monday Jany. 15th 1900

Number	MAKER	ENDORSER	DISCOUNTER
4560	Geo. F. Brown & Co.	S. P. Ewing	Geo. F. Brown & Co.
1	Smith Jones & Co.	Coll. $25000. U.S. 2% Bonds	Smith Jones & Co.
2	Shipmans & Co.	Keator & Co.	Sundry a/c
3			
4			
5			
6			
7			

FIG. 110.—DISCOUNT REGISTER (LEFT-HAND PAGE).

ier account has an appearance on the face of being charged to the Cashier of the bank, and may raise a question. So, many have adopted the term sundry account.

It has been conceded by some that the foregoing form was not complete enough, in that, in the first place, renewals could not be traced as quickly as was sometimes necessary, particularly when a query comes from the board of directors, also that the record on the usual register closes without giving the final disposition of the note.

An improved discount register has been devised which has been much liked by those who have used it, intending to cover the features mentioned, and Fig. 111 shows the adjoining pages of such a book.

Monday Jany 15th 1900

Date	Time	Due	Amount	Discount	A to L	M to Z	Sundry A/c	Where Payable	Disposition
1900		1900							
Jany 15	4 mos	May 15	5000	100	4900			Centre City	
" 15	Renew?		20000			20000			
" 10	2 mos	Mch 10	2000	20			1980	Phila	Coll & 4½ St. 2%
			27000	120	4900	20000	1980		

FIG. 110 (Continued).—DISCOUNT REGISTER (RIGHT-HAND PAGE).

In this form the date of discount is placed at the extreme left hand. This can be left out if desired and the date placed at the top of the page.

The column consecutive numbers is for the usual regular numbers, and that called preceding numbers is to be used in cases of renewals, the regular number of the former note being recorded in this column. By this means, the bank, of course, holding the last note, it will be found a simple matter to trace back all the renewals. Any officer of the bank, or the discount board, can by this method inform himself in a moment as to how often a note has been renewed. The column renewal number, shown in Fig. 111, is for entering the reg-

ular number of the new note in case the old note is renewed, and this should be placed opposite the old note. This column may, however, be used for where payable, if preferred, as in reality the column preceding number gives sufficient aid for tracing renewals. The columns, when paid or renewed, and amounts paid or renewed, are to be used for posting the payments or settlements of notes from

Date of Discount	Consecutive Numbers	Preceding Numbers	DRAWER	ENDORSER	To Whom Credited
1900					
Jany 15	4560	3902	Geo. F. Brown & Co.	S. P. Ewing	Geo. F. Brown & Co.

FIG. 111.—IMPROVED FORM OF DISCOUNT REGISTER (LEFT-HAND PAGE).

the tickler. By this means a complete history of each note is kept. In case of partial payments the cash paid and the amount of the new note are both entered in the column amount paid or renewed. The blank spaces left in the last two mentioned columns should at all times correspond with the notes on hand, and can easily be verified from the paper by the examining committee of the board of directors, the discount clerk, or any officer.

The total footing of the column, amount paid or renewed, de-

Date of Note	Time	When Due	Amount	Discount	Proceeds	Renewal Number	When Paid or Renewed	Amount Paid or Renewed	Remarks
1900		1900					1900		
Jany 15	4 Mos	May 15	5000	100	4900		May 15	5000	

FIG. 111 (Continued).—IMPROVED FORM OF DISCOUNT REGISTER (RIGHT-HAND PAGE).

ducted from the column amount, would show the total of the notes discounted on hand, and should agree with the notes discounted account in the general ledger.

The location of the columns for numbers is a matter of taste. Some prefer them in the center of the book, some at the extreme left hand, and some next to the amount.

In Fig. 110 it will be seen that the proceeds are distributed to two individual ledgers, A to L and M to Z. Wherever the individual ledgers are divided, and a separate account with each kept on the general ledger, this will be found of great advantage. It is also of assistance to the individual ledger bookkeepers, as they can see at a glance which items belong to their respective ledgers. In some

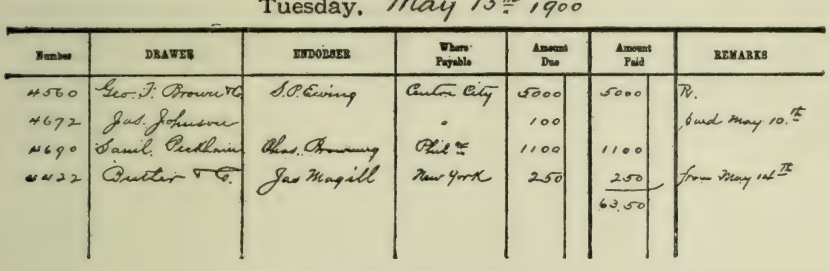
large and active banks it is found necessary to subdivide the discount register, having one for demand loans, and a separate one for each of the individual ledgers; all this is, of course, arranged according to the demands, the general principle remaining the same.

In some banks the individual ledger bookkeepers obtain their items by posting direct from the discount register to their ledgers; in some they copy the items from the discount register into a memorandum book or scratcher, and post from that; in others the discount clerk makes a credit ticket for each discounted item, showing the name of the party obtaining the credit, the face of the note, the amount of discount deducted, and the proceeds. These credit tickets being placed on a spindle are taken by the individual ledger bookkeepers and posted, as would be done with the deposit tickets. These credit tickets are usually printed in some distinguishing color, as they are filed among the the deposit tickets. For myself I prefer the first plan wherever it can be done; it simplifies the work, and there is less liability for error than where the items are copied off, for it is a known fact that the more times an entry is copied the more danger there is of errors.

The method of carrying the amount of the discounts made to the bills discounted account on the general ledger varies. Some banks use a ticket system on which is written by the discount clerk or Cashier the number, name of the discounter, and the amount. This ticket being headed charge bills discounted, is sent to the general ledger bookkeeper; he then enters this in full in his journal. The objection to this method is the unnecessary number of times each transaction is obliged to be written, consequently incurring greater risk of errors and much extra labor. The better plan will be to consider the discount register as the record and book of original entry for the loans and discounts, and at the customary period, whether daily or weekly, foot the columns representing the face of the notes and proceeds and the discount, and carry these totals direct to the general journal, charging bills discounted with the total representing the face of the notes and credit discount account with the total discount, and the individual deposit account and sundry account with their respective totals of the proceeds. Any inquiry regarding the items can always be obtained from the discount register.

After the paper has been entered upon the discount register, it must then be recorded upon the tickler, under its due date. The figuring of the due date requires great care, as the mistake of even a single day may cause the bank serious loss. The tickler is in reality merely a memorandum book divided into days of the month, each note being entered as to its number, the names of the maker and endorser, where payable, and the amount, under its respective due

date. This is the customary form. The usual method when the day arrives is to scratch off the notes that remain unpaid at the close of the day, by ruling a line through them, and credit up the balance to bills discounted account. With the banks that use the ticket system for charging, as mentioned above, the same system is used for the credits, thus as in the former case triplicating the entries. An improvement has been made with the tickler which is much liked by the banks that have tried it. This improved form is shown in Fig. 112.



Tuesday, May 15th 1900

Number	DRAWER	ENDORSER	Where Payable	Amount Due	Amount Paid	REMARKS
4560	Geo. F. Brown & Co	S. P. Ewing	Custer City	5000	5000	R.
4672	Jas. Johnson		"	100		5 mos. May 10th
4690	Saml. Parkhurst	Chas. Armstrong	Phila	1100	1100	
4702	Butler & Co.	Jas. Magill	New York	250	250	from May 1st R
					63.50	

FIG. 112.—NOTE TICKLER.

This form, as will be seen, has two columns for the amount, one for amount due, and one for amount paid. Instead of using the crude and unsightly method of ruling off the unpaid notes, the paid notes are carried into their proper column, so that at the close of the day the total of that column shows at once the amount to be credited to bills discounted account.

Just as the discount register shows the amount of money loaned on discounted paper, so the tickler shows, in this form, the amount received from the repayment of loans. If a note is paid in advance it is at once transferred from its regular due day to the day upon which it is paid, a memorandum being made in the remarks column of each day, one referring to its regular due day under which it was originally entered, and the other referring to the day on which it is paid. A similar action is taken when a note is paid when past due. Examples of these transactions are shown in the figure. If a note is paid by renewal the letter R is placed in the remarks column opposite the amount paid. If a partial payment is made only, the amount so paid is entered in the amount paid column, unless the balance is paid by a renewal note; in that case both amounts are entered, the letter R being written opposite the amount of the renewal note.

By this method this book becomes a valuable addition to the discount department, showing clearly how each note has been paid. If a note is protested the abbreviation prot. can be noted opposite it.

The Liability Ledger.

The next book of importance in the discount department is the liability ledger, or, as it is sometimes called, discount ledger, or credit ledger.

By means of this book the bank officers should be able to tell what the liabilities of their customers are to the bank as discounters or borrowers, and as endorsers for others.

A man may not be a heavy borrower himself, but he may have

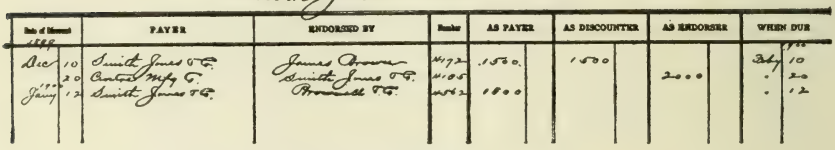


Fig. 113.—Liability Ledger.

endorsed for others to such an extent as to seriously impair his credit. Borrowers are generally given a certain line, whatever their account with the bank and their general credit will seem to permit. To be able to keep the run of this, is one of the particular uses of this ledger.

Furthermore, it is contrary to the National Banking Act for any individual or firm to be allowed to borrow more than ten per cent. of the capital stock of the bank upon his or their own name. In a large and active bank it is impossible to keep the proper track of these

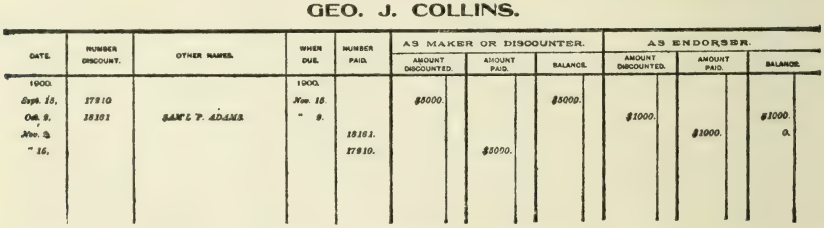


Fig. 114.—Liability Ledger.

loans without the use of this ledger. The customary form for such a ledger is shown in Fig. 113.

The items are posted in the ledger from the discount register, and when a note is paid, as shown by the tickler, the amount is simply ruled off from the account, generally with red ink. This practice, however, is not wholly satisfactory; as, in the first place, it makes very unsightly looking accounts, and the difficulty in arriving at the indebtedness of a borrower without going over the account and pick-

ing out the amounts standing unruled, makes it troublesome. Then, again, as no dates of payment appear on the accounts, it makes an incomplete record. Considerable trouble is experienced to trace the dates of payments, if they should happen to have been made at irregular periods. An improved form for this liability ledger is seen in Fig. 114.

By this method the condition of every borrower's account can be seen at a glance, either as maker or borrower, or as endorser. A list of the balances as shown for maker or borrower should, when footed, agree with the balance of the bills discounted account on the general ledger.

In very many banks the records of the transactions only are kept at the discount desk, as has been explained, the discount clerk, however, handling no money or checks. This is the safest method, for as has been before remarked, it is unwise to permit those who keep the records to handle the money, or *vice versa.*

If the borrower desires the money instead of having the proceeds credited to his account, after the proper record of the note has been made in the discount register, an order is given on the paying teller by the Cashier in the shape of a Cashier's check or Cashier's ticket, where the money is obtained. In these banks the repayments of loans is generally made to the Cashier or to the receiving teller. If to the Cashier the money and memoranda for the same are turned over by him to the receiving teller. Some banks treat the discount desk as a separate department, not only keeping all the records of the loans and their repayments, but receiving the money or checks in their settlement. Where this is done it becomes necessary for the note or discount clerk to act somewhat in the capacity of a receiving teller, or note teller. In such cases it has been found advisable for him to prove up his work every night, of course turning over all his receipts to the teller. To enable him to do this properly a settlement book is used, and Fig. 115 shows the adjoining pages of such a book in use by some banks.

Fig. 115 shows the left-hand page. Upon this is entered in the first left-hand column the amounts of interest or discount received from loans. Next are three columns showing respectively the numbers, names and amounts of the loans that have been repaid that day. On the lower left-hand corner is shown the proceeds of discounts that have been credited to various depositors under their proper respective individual ledgers. Fig. 115 (continued) shows the right-hand page, and here in the first left-hand column is shown the checks received upon the home bank in repayment of loans or payment of interest. In the next column are seen the loans or discounts made during that day, as shown by the discount register. Below these are

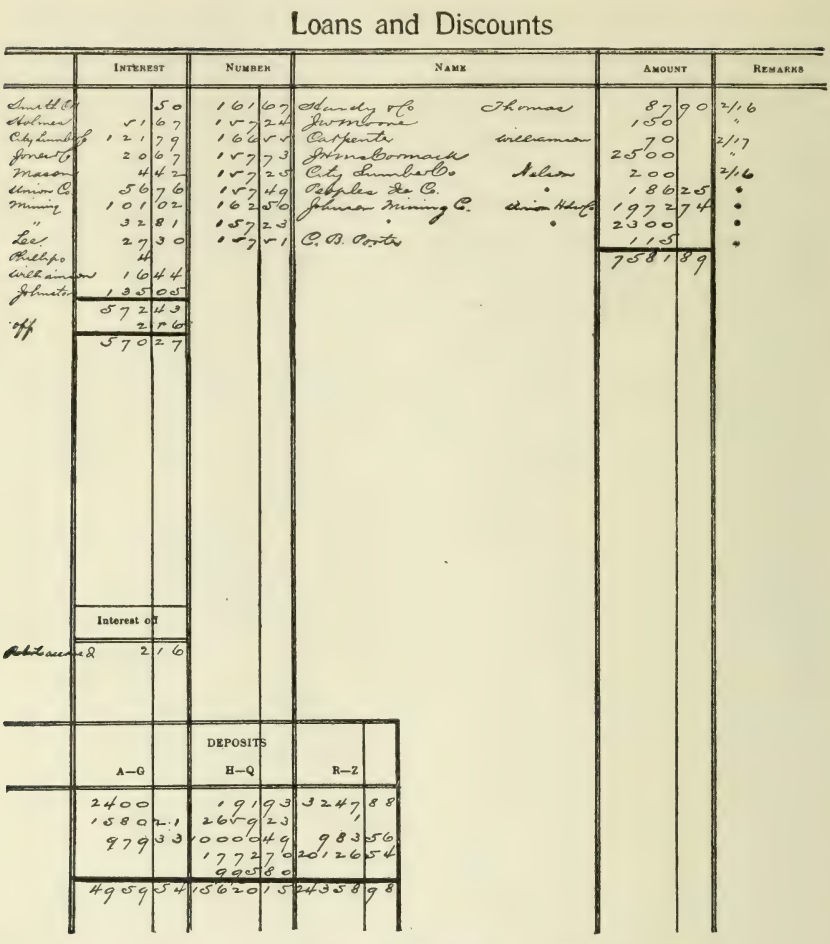


FIG. 115.—DISCOUNT CLERK'S SETTLEMENT BOOK.

seen under their proper heads the checks on other banks, renewals, etc., received in settlement. The next column is the balancing column in which the proof of the work is shown. The item tellers' L and D means a loan made and paid over the counter by the teller on a Cashier's order or check.

An improvement upon this form could, I think, be made which would occupy only one page instead of two. Let the discount register be the complete record for the history of each loan, showing the interest or discount, and the net proceeds. Let the tickler show the complete record of repayments. This will then avoid the necessity of entering the loans, and repayments, and interest in this balance book in detail; it simply being necessary to enter the totals as shown by the discount register and tickler. The items making up the cash

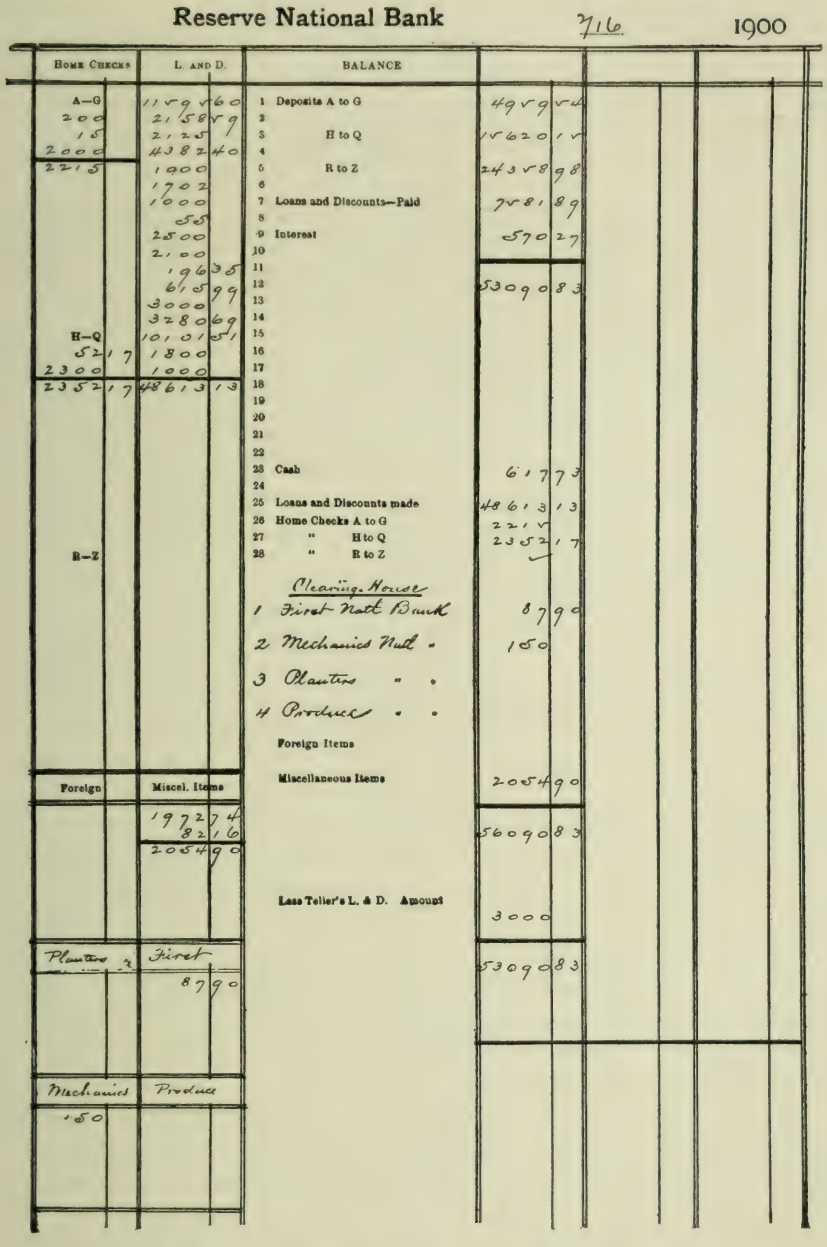


FIG. 115 (Continued).—DISCOUNT CLERK'S SETTLEMENT BOOK.

can be shown as described above. This plan avoids duplication of entries, and saves labor, time and danger of errors.

In the case shown by the above diagrams the individual ledger

bookkeepers obtain their credits of the proceeds of loans by means of tickets made out by the discount clerk. These tickets are the same size and shape as the deposit tickets, but printed upon red paper, and the words discount ticket instead of deposit ticket printed at the top. These tickets are run through the books the same as deposit tickets.

A better and safer method is to have a note teller separate and distinct from the discount clerk. Let their cages or apartments be adjoining with a small window in their separating partition. When a customer comes to the bank to pay a note he goes first to the discount or note clerk. This clerk gets out the note, checks it off on the tickler, fills out a small ticket with the number, name and amount of the note, and passes both ticket and note through the window to the note teller. The customer then goes to the note-teller's window and pays the amount and receives the note. The note teller puts the ticket on a file or spindle, and from these tickets makes up his cash at night. The total of these tickets must agree with the total of the items marked paid on the tickler.

Collateral Loans.

Collateral loans, or loans made upon the security of some collateral, are a class much in use in the cities, especially between the banks and the stock brokers, although not entirely confined to this class.

This character of loans requires daily watching, especially when there is an actively fluctuating market, and more particularly if the prices are falling. The careful banker will be extremely particular as to the kind of collateral he accepts, as the notes given for the loans are generally single-name paper and his only actual security lies in the collateral. Next to this the banker must not overlook the proper assignment, which should be either on the back of the certificates, or on a blank form of assignment which may be filled up and signed and pinned to the securities. The proper care of and recording of these securities come next in order.

It is customary and very proper to record in full in the discount register a description of the collateral, especially when applying to any specific loan. Many instances occur, however, where a general collateral is deposited with the bank to cover any loans or overdrafts, and many changes in these collaterals often take place which it would be impossible to record on the discount register. Where many of this character of loans are made it has been found necessary to keep a careful record of the collateral in a book prepared for the purpose, called a collateral register. In Fig. 116 will be seen a customary form for this book. This combines some features of the discount

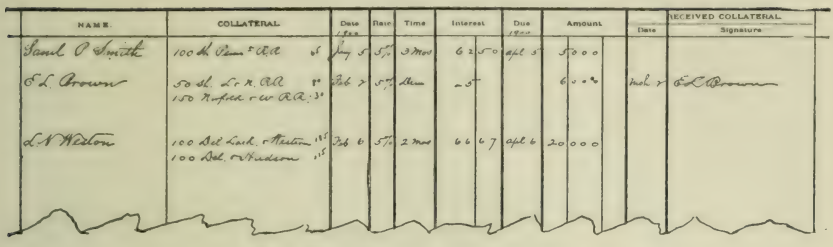


FIG. 116.—COLLATERAL REGISTER.

register with that of the collateral register, and the form will answer very well for a moderate-sized bank, especially if sufficient space is left between the names to permit of the entries of additional security.

For a larger bank, and one doing much of this class of loaning, Fig. 117 will be found to answer better.

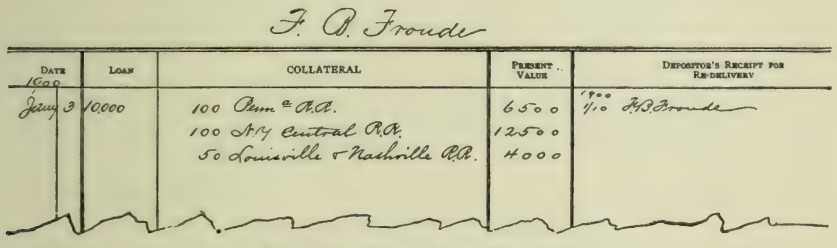


FIG. 117.—COLLATERAL REGISTER.

In this form each borrower is given a page or more. The loans are carried regularly through the discount register, a record of their amount, or of the limit extended, being noted in the column entitled loan.

In each form will be seen a column for the receipt of the borrower to be signed upon the withdrawal of any of the collateral. This is an important feature. Memory is fickle, and mere pencil memoranda will be found unsatisfactory evidence, but a receipt in the handwriting of the party himself, and properly dated, can not be questioned.

The busy business man is not always able to come to the bank himself to make exchanges of collateral, or even if he does the careful banker likes to have a proper order on file for such exchanges. A blank form for such an order is used by the most active banks. This when brought by a clerk is first filled out and signed by the business man, and the clerk's signature is taken by the banker on the lower left-hand corner of the order, at the time he delivers up the collateral wanted. Fig. 118 exhibits that most commonly used, and shows that on January 10 Mr. Froude withdrew one hundred shares

DEPOSIT AND WITHDRAWAL OF COLLATERALS.

MERCHANTS NATIONAL BANK
CENTRE CITY PA

Loan of Jany 3/1900 $10,000.00

Securities Deposited:		Present Market Value
50 sh. Lo. N. RR.	@ 80	$ 4000.
	@	
	@	
	@	
	@	
	@	
	Total, $	

Securities Withdrawn:		
100 sh. Penn. RR.	@ 65	$ 6500.
	@	
	@	
	@	
	@	
	@	
	Total, $	

Philadelphia, Jany 10 1900

J. P. Trundle

FIG. 118.—COLLATERAL WITHDRAWAL ORDER.

of Penn. R. R. stock and substituted therefor fifty shares of Louisville and Nashville R. R. stock.

Many large banks do so much of this business of loaning upon collateral that it is necessary to keep a very close watch of their values, especially when the stock market is depressed.

In Fig. 117 the values of the securities are often extended only in pencil, and are changed from time to time when any material change takes place in their market prices. The collateral clerk makes it his business to keep a close watch of the market prices and to watch the values of his collaterals. Any serious decline in the value of the collateral will at once necessitate a call upon the borrower for more security.

Where exceedingly large amounts of collaterals are handled a convenient form of record for quickly determining how much of any one class of collaterals the bank holds, is seen in Fig. 119.

This might be called a collateral ledger, as it is in something of the form of ledger accounts with each class of collaterals. In the

monthly columns are seen, in the left-hand section, the number of shares on hand, and in the right-hand section, the amount of stock withdrawn during the month. The book has an index and the banker can quickly learn just how much of any class of collateral, and for whom, he is carrying. This is often very important to know.

The care of the collaterals is equally as important as the proper recording of them, for while they are in one sense of the word the property of the bank, they are only conditionally so, and the bank is bound to exercise all due care of them and return them to their former owner upon the payment of the loan or debt. A bank is

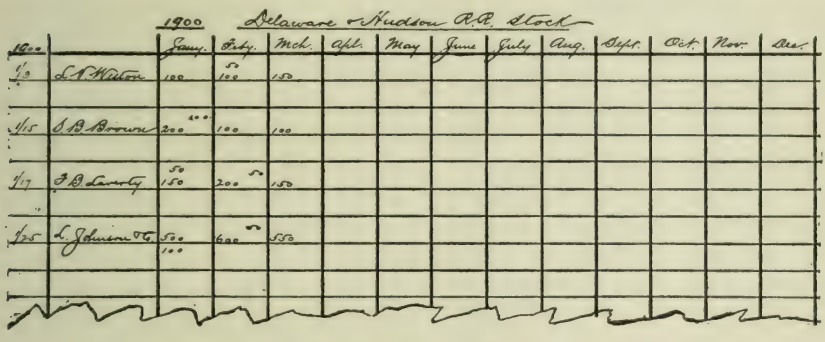


FIG. 119.—COLLATERAL REGISTER.

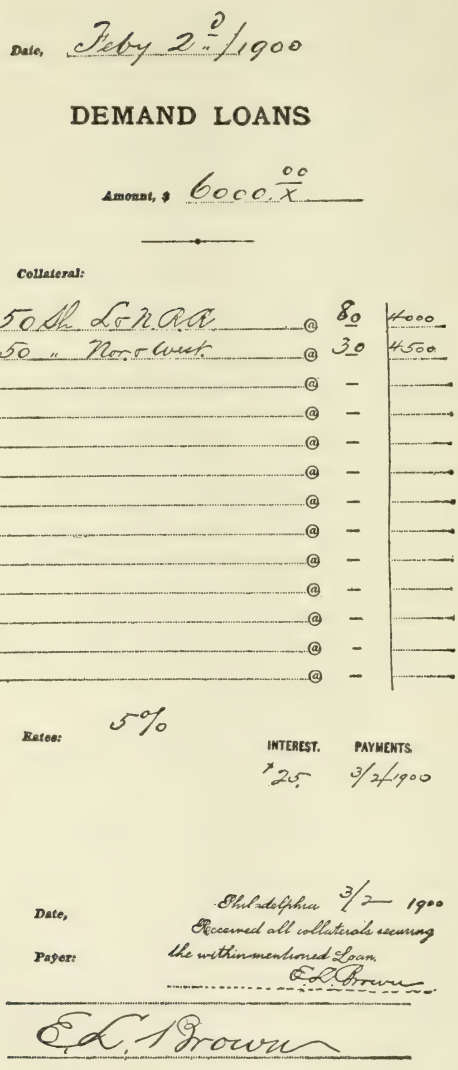
bound to take the same care of them that it does of its own property, its money and valuables.

The best method for caring for the collaterals has been found to place them in strong linen or heavy Manila envelopes upon which are printed, on the outside, a blank form on which to describe the contents and to record the name of the borrower.

Sometimes these envelopes have a printed heading styled collateral loan, but some banks use two styles—one as just mentioned, which may apply to either time or demand loans, and one styled demand loans, in this instance separating their demand from their time loans, which is always advisable.

In Fig. 120 is shown such an envelope. At the bottom is seen a receipt for the contents. Many banks take the receipts for their collateral in this way; this necessitates the filing away of the old envelopes after the loan has been paid and collaterals returned. The book before mentioned in which is taken the receipt for all collateral returned is, however, to be preferred, as it is much easier preserved, and will occupy less space than the old envelopes.

In filing away the envelopes containing the collateral some arrange them alphabetically according to the borrower, and tie the envelopes in bundles, placing them in the safe or in a tin box made for


Date, Feby 2nd 1900

DEMAND LOANS

Amount, $ 6000.00/X

Collateral:

50 Sh L.S.R.R.A @ 80 4000
150 " Nor. & West. @ 30 4500
@ –
@ –
@ –
@ –
@ –
@ –
@ –
@ –
@ –
@ –
@ –

Rates: 5%

INTEREST. PAYMENTS.
$25 3/2/1900

Date, Philadelphia 3/2 1900
Paper: Received all collaterals securing the within mentioned Loan.
E. L. Brown

E. L. Brown

FIG. 120.—COLLATERAL ENVELOPE.

that purpose, which is placed in the safe. In very large banks the envelopes are numbered and placed in filing cases, and an index kept for each name and its number. These filing cases are of metal and are either built into a fire and burglar-proof vault, or into a safe which is placed in a vault. These are put in the charge of a clerk called the collateral clerk, who also keeps the records regarding the collaterals and their loans.

In some instances the character of the collateral is such and the number of pieces is so great as to make it impossible to get them into any envelope. In this case a stiff paste-board strip for both sides of the package, the strips being made the same size of the folded securities, may be used, and upon one of them should be printed the form as shown upon the envelope in Fig. 120.

Where a bank holds time paper as collateral, a memorandum of this should be made so as to run no risk of passing the maturity without presentation. A good plan in such cases is to note the name and conditions of the collateral on the note tickler at the bottom of the page, or so separated from the bank's regular paper as to be in no danger of becoming connected with it. In some instances these entries are made in red ink, which calls special attention to them.

CHAPTER V.

THE COLLECTION DEPARTMENT.

There are few more useful and necessary departments in a bank than the collection department. The methods of transacting business and of making payments by means of time obligations, such as notes or time drafts, or by sight or demand drafts, make it extremely necessary that some responsible agents, having the proper facilities, should attend to the collecting of these, and what agents are in a better position to do this than the banks? Their naturally intimate connection with the general business world and the constant intercourse between the banks, not only enable them to perform this branch of the business better but at much less cost than by any other means.

The merchant holds a note of a customer residing at a distance; he desires it presented for payment when due, consequently he leaves it at his bank for collection. It is sent by due course of mail to the bank's correspondent, who presents it when due, and either collects and remits, or returns, with reasons for non-payment, and protesting, unless otherwise directed.

The merchant has a customer who owes him a bill; he draws a draft on him, either sight or time, for the amount of the bill, and places it in the hands of his bank for collection. The bank follows a similar course to that with the note.

A merchant in the South or West ships a lot of cotton or wheat to a dealer in the East. He draws a draft on the Eastern party for the whole or a portion of the amount of the shipment, and attaches the bill of lading to the draft. In some instances he gets his bank to discount the draft and place the proceeds to the credit of his account, and in others the draft is left with the bank for collection, and passes through the same course as those above mentioned.

While banks are willing to make collections for their customers, they are very right in hesitating to do so for strangers, especially if the collection item has been sent to them through the mail from some private party, a stranger to the bank. Instances are on record of the raising of the draft sent by the bank in settlement for such collection.

The depositor who brings his collections to the bank should receive a memorandum of them either in his pass book, which is the customary way, or in an auxiliary memorandum book, where the depositor does a large business. These are, of course, what are called foreign collections, or collections on parties in other cities. The collection items received by mail may be either upon parties in the city where the bank is located, or as is called, city collections, or they may be on various points outside the city. These latter have to be reforwarded to their nearest bank.

The customary forms of collection items are notes, drafts and bills of exchange. The notes have been fully described in a former chapter. In Fig. 121 will be seen the customary form of a draft.

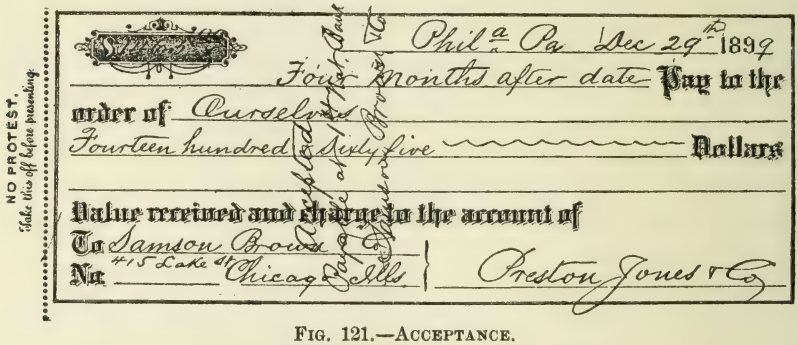

NO PROTEST.
Take this off before presenting
Phila Pa Dec 29th 1897
Four Months after date Pay to the
order of Ourselves
Fourteen hundred & Sixty five Dollars
Value received and charge to the account of
To Samson Bros
No 415 Lake St Chicago Ills
Preston Jones & Co

FIG. 121.—ACCEPTANCE.

This is drawn as a time draft, and being accepted becomes then what is called an acceptance.

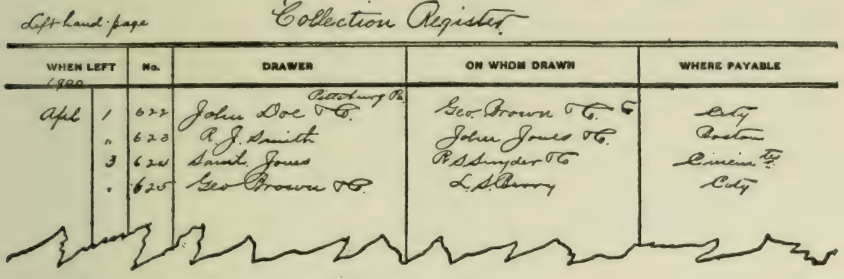
The bills of exchange are drawn in similar form as the drafts, and have a bill of lading accompanying, and attached thereto.

In sending forward drafts, with bills of lading attached, banks should be particular to give explicit instructions regarding the delivery of the bills of lading. If the drafts are sight, of course there is nothing in question. But where the draft has a time limit, and is accepted, the question sometimes arises regarding the delivery of the bill of lading upon the acceptance of the draft. The safe position for a bank to take in such matters is, first, to have specific instructions in writing from the drawer of the draft as to the disposition of the bill of lading. If it should be impossible to obtain this, the bank should hold the bill of lading till the draft is paid. The question may be asked, what should be done if the goods mentioned in the bill of lading be perishable?

I can simply say that I have never seen a time draft, longer possibly than one day, accompanying a bill of lading for perishable goods. In such a case, however, a bank would be justified in telegraphing to its correspondent, from whom it received the draft, for

instructions. Many instances are known of parties accepting the draft to obtain the bill of lading, and having secured the goods, failed to pay the draft.

Another important question is the receiving of checks for the pay-

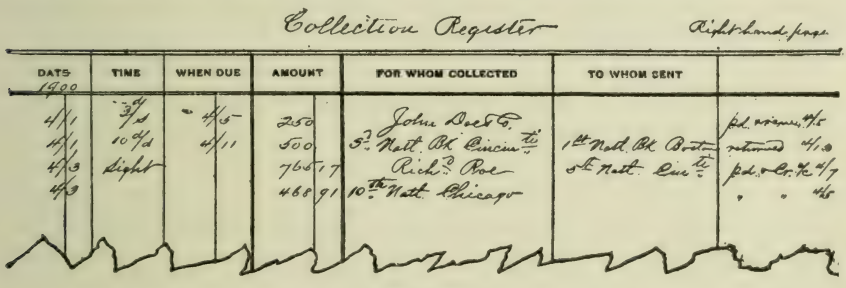

Left-hand page. Collection Register.

WHEN LEFT 1900		No.	DRAWER	ON WHOM DRAWN	WHERE PAYABLE
April	1	622	John Doe & Co. Reading Pa.	Geo. Brown & Co.	City
"		623	A. J. Smith	John Jones & Co.	Boston
	3	624	Sarah Jones	R. Schuyler & Co.	Cincinnati
		625	Geo. Brown & Co.	L. S. Perry	City

FIG. 122.

ment of acceptances, especially with bills of lading attached. As a rule checks will not be received for notes or other forms of obligations without being certified. This is a wise precaution. When a draft is accepted it becomes an acknowledgment of the debt, and it is in the position of an obligation, and with collateral attached, when it is accompanied by a bill of lading. It is safe, therefore, to treat it the same as a note.

Of course the banker must be guided by his knowledge of the re-


Collection Register. Right-hand page.

DATE 1900	TIME	WHEN DUE	AMOUNT	FOR WHOM COLLECTED	TO WHOM SENT	
4/1	3 p.m.	4/5	250	John Doe & Co.		pd. maturity 4/5
4/1	10 a.m.	4/11	500	3d Natl. Bk. Cincinnati	1st Natl. Bk. Boston	returned 4/10
4/3	Sight		765 17	Richd. Roe	1st Natl. Cincinnati	pd. & Ex. 4/7
4/3			460 91	10th Natl. Chicago		" " 4/5

FIG. 123.

sponsibility of the party upon whom the draft is drawn, and should then exercise his judgment.

Let me advise bankers to be exceedingly careful regarding the making of advances upon drafts with bills of lading attached, and be sure that the bills of lading are in the first place *genuine*, and next that they have been properly drawn up, or in such a way as to secure the bank. There have been such cases as fictitious bills of lading and warehouse receipts, attached to drafts which the banks discounted. Of course the banks were the losers. When men will

City Collections April 3d 1900

Our No.	ON WHOM	Due	Sender's No.	WHOSE ACCOUNT COLLECTED	Amount	Disposal
622	John Doe & Co	sight	6141	J. Smith & Co. Louisville	141 21	Pd & mail'd 4/3
623	Richd Roe	3 d/s	4/1	P. & Snyder & Co Cin'ti O.	42 50	Pd & Rem 4/3
624	L. S. Barry	demand	4/2	Tenth Nat'l. Chicago	46 89	Pd & Cr. 4/4

FIG. 124.

do such things, and even worse, to obtain money illegally, the banks must be continually on their guard.

The careful recording of the collections that pass through a bank

Left hand page

FOREIGN

WHEN SENT 1900		No.	WHERE PAYABLE		TO WHOM SENT	WHEN DUE 1900		PROTEST
Apl	1	2101	Mobile	Ala	First Natl Bank	Apl	29	yes
"	"	02	Cincinnati	O.	Fifth " "	sight		no
"	"	03	Baltimore	Md	City " "	Apl	15	no

FIG. 125.

is an exceedingly important feature. The collection register is the principal book of record.

In a small bank in a country town one such book will be found to answer the purpose for both foreign and city collections. Figs. 122 and 123 show a customary form for such a collection register.

COLLECTIONS

Right hand page

OWNER		No.	PAYER	AMOUNT	DISPOSAL	
City Natl Bank	Boston	47020	Jno Jones & Co.	142 60	Pd & Cr.	May 1.
Central " "	Phila	3/30	P. Schmertz & Co.	31 42	Acct. mail'd	apl. 4
Tenth " "	Chicago	3/30	A. Robinson	62 01	Pd & Rem.	apl. 16

FIG. 125 (Continued).

In large city banks where the collections are heavy it is necessary to have two departments, foreign and city, and in some very large and busy banks these are subdivided according to districts, which does not, however, change the form of the books materially.

In Fig. 124 will be seen a form for a city collection register in use by an active bank.

The book in which is recorded the foreign collections is styled the foreign collection register. As the course of this class of collections is more indirect than with the city collections, the record is natur-

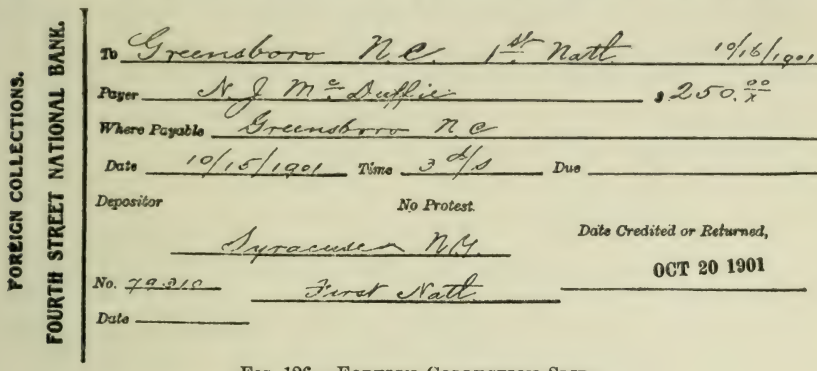

FOREIGN COLLECTIONS.
FOURTH STREET NATIONAL BANK.
To Greensboro N.C. 1st Natl 10/16/1901
Payer N J Mc Duffie $250.00/100
Where Payable Greensboro N C
Date 10/15/1901 Time 3 P/S Due
Depositor No Protest.
Syracuse N.Y. Date Credited or Returned, OCT 20 1901
No. 79.210 First Natl
Date

FIG. 126.—FOREIGN COLLECTION SLIP.

ally more extensive. Fig. 125 gives a good form for a foreign collection register in use by many active banks.

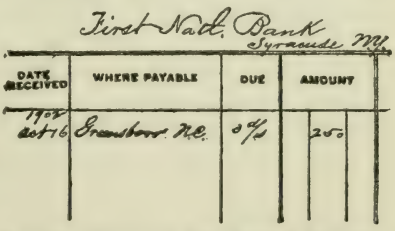
Some very large banks doing a heavy collection business have found the collection register, as commonly in use, too cumbersome a method and have adopted a system of using slips for their foreign collections. Fig. 126 is the form of one of these collection slips in use by a large and active city bank.

These slips are made of good linen paper, eight inches long and three and one-half inches wide.

Their method of use is as follows:

When collection items are received, if by mail, of course the first thing is to check off the letters with the items.

The items are then entered on the foreign collection register (see Fig. 127). This register is very simple, as is seen. The figure shows one set of columns which are about four inches wide. There are three columns to a page. The banks from which collection items are received are given one or more pages each, the items being entered daily as received. The collection items are then assorted alphabetically, according to the towns of the banks through which this bank collects. They are then entered upon these slips to the banks to which they are to be sent, and to which the amount is to be charged if advice is received of


First Natl. Bank Syracuse, NY.

DATE RECEIVED	WHERE PAYABLE	DUE	AMOUNT
1901 Oct 16	Greensboro N.C.	0 P/S	250

FIG. 127.—FOREIGN COLLECTION REGISTER.

payment, care being taken to put the number as shown on the collection item, or the date of the sender's letter, on the lower left-hand corner of the slip. The slips are filed away, on edge, in drawers (alphabetically, according to the banks the collection items have been sent to) separated by partitions.

When advice of payment and credit, or remittances, are received

THE FOURTH STREET NATIONAL BANK

PHILADELPHIA, Nov 15 1902

CHARGE Security Natl. Trenton
Transfer
$ 10,000 00/100

CREDIT Am. Natl. Burlington J. B. Smith
ASST. CASHIER.

FIG. 128.—CHARGE AND CREDIT SLIP.

the slips representing them are taken from the drawers, and the letters checked, and the slips are stamped with the date of the receipt or credit on the right-hand lower corner, the clerk at the same time striking off the word returned. The slips are then listed on the machine. The slips now go to the general ledger desk, and the proper charges and credits for the various banks are made. Any slips showing credits for individual depositors are sent from the general ledger desk to the individual ledger desk where these items are listed

THE FOURTH STREET NATIONAL BANK

PHILADELPHIA, Oct 10/1902

CHARGE Third Natl. Louisville $ 2.50

PROTEST FEES $ 2.50 on Thompson Bros. Co.

CREDIT First Natl. Jonesville

FIG. 129.—CHARGE AND CREDIT SLIP.

on a scratcher and posted from there to their respective individual accounts. These two desks, after checking the items they have entered up, return the slips to the collection department and settle, or compare their totals with the total originally taken off by the machine. The slips then being ready for advising go to the typewriter, arranged alphabetically according to credits. This being done they

THE FOURTH STREET NATIONAL BANK

PHILADELPHIA, Dec 31 1902

CHARGE Natl. Reserve Bk. Chicago

INTEREST ON Loan $50,000.

DUE Dec 31/1902 $250. X 100

CREDIT Interest a/c J. B. Smith ASST. CASHIER

FIG. 130.—CHARGE AND CREDIT SLIP.

are ready for filing away permanently, by binding them together with a strong brass fastener through the hole in the left-hand end, a stiff piece of pasteboard being bound with them on the top and bottom for protection.

The package is then marked plainly, stating the day of the month and year, and filed in a filing compartment according to date.

When items are returned unpaid the slips representing them are taken from the drawers and stamped the date of the return. They

DR.		CR.	
BANK LEDGER	145930 28	BANK LEDGER	143790 49
BANK LEDGER (CORRECTIONS AND TRANSFERS)	864 94	BANK LEDGER (CORRECTIONS AND TRANSFERS)	864 94
GENERAL ACCOUNTS		GENERAL ACCOUNTS	1955 98
GENERAL ACCOUNTS (CORRECTIONS)		GENERAL ACCOUNTS (CORRECTIONS)	05
		INDIVIDUAL LEDGER	194381
TOTAL	146795 77	TOTAL	146795 77

FIG. 131.—COLLECTION DESK PROOF.

are then arranged alphabetically according to the banks from which they are returned and filed as returned items by themselves, in a binder similar to the others. The items are of course returned to their owners in the collection letters.

Colored slips are used for various sundry charge and credit items that pass through the collection desk; one, a green slip, for corrections, a yellow slip for protest fees, a purple slip for interest, and a general slip printed the same as the green slip, but on yellow paper, for expense items such as telegrams, telephone, etc. These slips are shown by Figs. 128, 129 and 130.

It is claimed that by this system a larger number of collections can be handled successfully with one-half the force than by the old method, as many as fifteen hundred having been handled on a busy day. At the close of the day the lists made on the machine are pasted in a book and a proof made. This is made on a blank which is afterwards pasted in the same book on one of the pages with the lists. Fig. 131 shows the form for this proof.

The collection clerk is enabled by this method, by watching the

NATIONAL RESERVE BANK

COLLECTION DEPARTMENT.

Philadelphia, Pa., May 10/1900

To Second Natl. Bank Baltimore Md.

Have the following collections been paid? Please reply hereon by RETURN MAIL.

SENT.		DUE.	AMOUNT.
4/25	John Lowas & Co.	5/6	500

Correspondents will greatly facilitate our handling of collections by sending prompt and explicit advice of their payment. Close attention to this matter will be highly appreciated by us.

FIG. 132.—LETTER OF INQUIRY OR TRACER.

daily slips and calculating the customary time for reports, to keep a pretty close watch upon the items, and more readily than by hunting through a collection register. If a bank to which a collection has been sent is a little slow in notifying, it is quickly discovered, and a tracer, or letter of inquiry, is then sent. Fig. 132 shows a good form for such letter.

Another excellent form for a tracer in use by some of the best banks is shown in Fig. 133.

This is better than the postal-card tracer, for it states in full just what is wanted, gives full description of the paper, and has a special place for the answer. A tracer like this when returned to its bank can be filed, and is easily referred to, and will give the full history.

In sending collections to foreign banks a form of letter of enclos-

E. S. Butts, President. H. C. Kuykendall, Vice-Prest.

VICKSBURG BANK,

Vicksburg, Miss., Mch 15 1892

C. J. Johnson Cas.
Chicago Ill

Dear Sir

Please report on collection named in margin. If paid, please remit, or if unpaid; return and oblige,

Our No. 23718
Sent you Feby 18
Name P. L. Moore
Amount $ 182.50
Due March 5th

Yours Respectfully,
E. S. Butts,
President

Answer
Returned unpaid
March 5.
C. J. Johnson Cas
Cash.

FIG. 133.—TRACER.

MERCHANTS' NATIONAL BANK.

CENTRE CITY, Pa., MAY 15, 1902.

Third National Bank,
Pekin O.

We enclose for Collection

#17182 Saml Brown		328 50
17218 Jos Smith		185 20
We return unpaid		
4/20 Kingman & Co		426

Please acknowledge Receipt of all Letters. In reporting, refer to date of our letter.
Correspondents are not authorized to hold collections for the convenience of parties.
Protest and return promptly all paper unless otherwise instructed by us.

FIG. 134.—LETTER OF ENCLOSURE.

ure is used. A good form for this class of letter is shown in Fig. 134.

The adding machine becomes a useful adjunct in large banks in assisting in the writing of the letters of transmission, the letter

THE WASHINGTON NATIONAL BANK
OF WASHINGTON.

Washington, New Jersey, 5/2 1900

L B Brown Cas.

You have credit this day for the items stated below.
Yours respectfully,
R. M. EILENBERGER,
Cashier.

4/5 L. Williams		172.25
4/8 Jamison & Co		29.62
4/29 Geo Thompson		75.
		276.87

FIG. 135.—LETTER OF ADVICE.

sheets in that case being ruled with several columns, the amounts being entered in the columns by the machine and the total instantly obtained.

With relation to all time acceptances it is necessary to use a tickler in which to enter the items under their proper maturity date. The tickler for this purpose does not differ materially from that in use in the discount department.

When a collection has been paid it is customary with many banks to send a letter of advice, where the items are not remitted for at once. Fig. 135 shows a good form for such a letter.

In forwarding items for collection, and in returning items unpaid, the use of the hand stamp has been found to play an important part, and to save much time and labor. The samples given in Fig. 136 show those chiefly in use and speak for themselves. It sometimes occurs, after a collection item has been placed in the hands of a bank by one of its customers, that the party desires, in consequence possibly of having heard from his debtor, to withdraw the collection item; he therefore notifies his bank to that effect, and the bank at once sends notice to its correspondent to whom the item had been sent. This is generally done upon a form printed especially for the purpose. Fig. 137 gives such a form.

RET'D FEB 19 1902

WE RETURN UNPAID.

Reasons, if any, indorsed thereon.

NO ATTENTION TO NOTICE.

PLEASE REPORT BY NO.

TRADERS' NATIONAL BANK.

SCRANTON, PA.

PAY ANY BANK, BANKER OR TRUST CO.
OR ORDER,

FEB 26 1902

PRIOR ENDORSEMENTS GUARANTEED.

TRADERS NAT'L BANK,
SCRANTON, PA.

FRANK L. PHILLIPS, Cashier.

FIG. 136.—FORMS OF HAND STAMPS.

A very convenient and concise form of slip for use when returning an unpaid collection is seen in Fig. 138, with a table of excuses that are very comprehensive. All that is necessary is for the bank returning the collection to make a cross or check mark opposite the excuse.

The forms for letters of advice and notification, while being in most cases similar, are generally drawn up to accommodate the taste of the Cashier of the bank, and as all men do not think alike,

THE PHILADELPHIA NATIONAL BANK,

Philadelphia, 5/2 1902

Mr. E. K. Adams Cashier.

Sir:

Please return at once note J. B. Smith & Co.

for $1700.00 due 5/10 at Centre City

sent in our letter of 4/25

And oblige,

Yours respectfully, L. V. Johnson Cas'r

FIG. 137.—WITHDRAWAL OF COLLECTION.

which is a fortunate circumstance, of course a number of very useful ideas are brought forth. As with the books, so it is here, the printer takes a prominent part, a goodly portion of the letter forms being printed by him, so that about all that is necessary to write in them

UNION BANKING COMPANY.

ST. JOSEPH, Mich., June 12, 1902.

Pinned to This is Your Collection Unpaid.
Reason for Non-Payment is Checked Below.

Payment refused — no reason given.	Cannot pay at present.
Amount not correct.	Does not owe this.
Wants extension of time.	Has paid it.
Payment refused — reason endorsed.	Party will write.
Claims did not order goods.	Parties cannot be found.
Will remit.	Presented, notice given but no response.
Not due.	Never pays drafts.
Closed up.	Refuses to pay exchange.
Not in town.	Party will settle with agent.
Goods returned.	Goods not satisfactory.

FIG. 138.—SLIP FOR RETURN COLLECTIONS.

are the dates and the name of the party to whom sent and the list of items.

Formerly the copy press filled an important position in connection with the collection department in all well-managed banks, as it often became extremely necessary to know positively what items had been sent away to a certain bank for collection upon a certain date. But of late years the rush of business has been such that the press is now seldom used except in small banks; in place of it the

use of carbon sheets is coming rapidly into favor. Where these are used the letter sheets are made in duplicate with perforation at the fold, or sometimes made in single sheets and tableted, only being gummed at one end or side. By inserting the carbon paper between two sheets, and using an indelible pencil or a stiff pen so that some slight pressure is exerted when writing, an exact copy is taken. One of the letter sheets is sent with the items and the other is generally filed, either in a temporary binder or on a squirrel-tailed file. There they will be in regular order according to dates, and can be referred to daily, and the items checked off when settled. The carbon sheets are coming into use in many other departments of a bank where duplicate copies of any papers are found necessary. I know one bank that uses this method when filling up its reports to the Comptroller of the Currency. By placing two blanks together carefully with a carbon sheet between, and all held firmly in a clip, the copy of the report which is retained in the bank is made at the same time with the original.

The question has been raised whether the carbon copy would be accepted as evidence in law as is the letter-press copy book. In some countries, France for instance, it is not, but I have not heard of any test case in this country. I have my doubts, however, if it will be admitted, as it is a form of copy that can be too easily altered. For the purposes, however, for which it is generally used, it has been found a great labor saver, and of little danger of being brought into the courts.

A custom in some large banks when sending out collection items is simply to give a list of the amounts of the items with no names or numbers. This is frequently very troublesome for the receiving bank, especially when the items have to be reforwarded to other foreign banks, in trying to keep track of them. It will add much to the comfort of all concerned if banks would give the names of the city, or bank, or individual on whom the items are drawn, and give numbers where possible.

As has been mentioned before, when collections have been made, they are either credited to the account of the bank sending them, and reported at certain periods, or remitted for. The remittances are made by means of drafts, and a special form of letter is used for enclosing such remittances. It is also customary to return any unpaid collections at the same time. The return of unpaid collection items should always be made very promptly.

Fig. 139 gives a good form for a letter of remittance.

Where a small bank does not wish to be burdened with too great a variety of stationery, it is sometimes quite beneficial to have a form for a letter which covers many purposes. Fig. 140 shows such

Centennial National Bank.

Centre City Pa. Apl 14 1900

L. F. Goschen Esq. Cas.
Forestville Tenn.

Dear Sir: Enclosed please find Draft on New York, $ 349.40 in payment of the following, received in your favor of

J. Brown & Co	$ 125	less	25 cents.
L. Thompson & Co	$ 175	"	25 "
Geo Risley	$ 50	"	10 "
	$ 350	"	60 "
	$	"	."

We return not paid (reasons, if any, endorsed)

Wettenberg & Co $ 135.00

$

$

$

Yours respectfully,

B. S. Brown Cashier,

Per J.

FIG. 139.—LETTER OF REMITTANCE.

a combined letter sheet, and can be used for letter of acknowledgment, letter of advice, letter of remittance and letter of transmission.

When a bank receives a draft for acceptance and the party to

THE SECOND NATIONAL BANK,

No. 1519,

DEPOSITARY OF THE UNITED STATES.

Cumberland, Md., 4/25/1900

Henry Frost Esq., Cashier.

Dear Sir.

I have this day received yours of the 23 inst., with enclosures as stated.

Credited, $1300.00

I have received check from J. Brown T. G. $162.00 for your credit when paid.

I forward you by express, - - $3000.00

I return unpaid Johnson $150 Fees, $1.25

I return $

Yours respectfully,

D. ANNAN, Cashier.

I enclose as below for collection and credit:

Freeman T. G. 750

FIG. 140.—COMBINED LETTER FORM.

whom it is to be presented lives out of town, sometimes at a distance, it is often a troublesome question to know just how to act. It is expensive to send a special messenger either by train or by private conveyance. A form of notification, which also combines an order on the payer or acceptor's bank, is used by some active banks,

which saves the trouble mentioned. Fig. 141 shows one of these forms.

In this it will be seen that the acceptor happens to be a depositor

PLEASE REPLY AT ONCE.

FIRST NATIONAL BANK,

Scranton, Pa., Apl 15 1900

To Patterson Jones & Co.

Saml Brown & Sons

of Lafayette Ind. have drawn

a 30 day Draft on you for

One hundred & Twenty Dollars.

Please advise whether you wish to accept and pay the same.

If you wish to pay, sign the annexed order on your Banker.

ISAAC POST, Cashier.

Due May 15 1900 By ——

$120.00

Isaac Post Esq., Cashier:

We accept above described Draft on us

Charge Our account with same when due.

Respectfully yours,

Patterson Jones & Co.

FIG. 141.—NOTIFICATION TO PAYER.

in the bank which sent the notice. If otherwise, the order upon the Cashier would simply be filled out to the Cashier of the bank in which he deposited.

The question of endorsements is one of considerable importance. Up to a few years ago it was customary to use the restrictive form

for endorsing all collection items sent by mail, the form generally reading for collection only, but a case came before the courts in New York which materially changed this custom. The case was that of the National Park Bank *vs.* the Seaboard National Bank, and is found reported on the appeal in Reports of the New York Court of Appeals, 114, 28. The circumstances in brief were these. A draft had been drawn on the National Park Bank for $18, and was received in due course of business by an out-of-town bank which sent it stamped for collection only to the Seaboard National Bank, for collection and credit. The account of the out-of-town bank was duly credited with $1,800, as it appears that the draft had been fraudulently altered from $18 to $1,800, and the National Park Bank paid it as $1,800. Sometime afterwards it was discovered that the amount had been fraudulently raised, but in the meantime the out-of-town bank had drawn out its balance from the Seaboard National Bank. Suit was brought by the National Park Bank to recover the difference. The court, however, held that the Seaboard National Bank (and consequently the out-of-town bank) was not liable. The arguments in the case were extensive, the plaintiff claiming that when the draft was collected by the defendant that the defendant was the owner of it; and that the out-of-town bank became a creditor of the defendant bank. The defendant claimed that both he and the out-of-town bank were merely collecting agents and that neither ever acquired any ownership in the draft, and that an agent who receives money for his principal is, after passing over the same to the principal, absolved from all liability; that the endorsement of the out-of-town bank was a restrictive endorsement and did not bind the endorser to the rules and liabilities of a general endorser. Under such a restrictive endorsement, it was argued, the endorser was competent to prove that he was not the owner of the draft and did not mean to give title to it or to its proceeds when collected.

The case created considerable excitement in banking circles, and resulted in the New York Clearing-House abolishing restrictive endorsements for all items collected through its channels (unless such paper is guaranteed by the bank presenting it). This, of course, applies to bank drafts, checks, acceptances payable at a bank, and all items which are generally considered cash and collected through the exchanges. This rule has been followed by banks throughout the country.

For purely collection items between business concerns, the bank simply acts as the agent or collecting medium; presenting by its messenger and collecting, or returning unpaid. For this class of items the former restrictive endorsement is still largely in use, there being no doubt that the bank is simply an agent.

The question of forged paper sometimes presents itself, but I am glad to say not often. The forgery may be in the shape of an alteration or raising of a draft from a smaller to a larger amount, or it may be in the forging of the signature of an officer of a bank to a fictitious draft, or it may be in the forging of an endorsement or acceptance, in which instance the bank is generally approached to discount the paper or make an advance pending collection.

With regard to the first class, banks should be very careful to whom they issue drafts. A banker who is a good student of character can most always judge the type of customer with whom he is dealing, and however the customer may have been introduced, unless he is very sure of the standing of the man, he will do well to act with caution. As a precaution against the altering of drafts most banks use a chemically-prepared paper of some delicate tint which will not bear any alteration without exhibiting it. They also use a cutter or stamp, which cuts or pricks out the amount for which the draft was originally issued. Some also use an indelible ink, specially prepared, which cannot be removed or altered without destroying the paper. All these methods are good.

With the second class there is one thing sure, and that is that forgers seldom attempt to forge the very plain signature. Some bank officers seem to delight in making a signature in which hardly a single letter of the alphabet appears, and which no one can read but themselves. Such signatures are the forgers' harvest. The more plainly a signature can be read the more difficult it is to copy. The danger is greater in cases of this kind to the innocent third party than to the bank upon whom the draft is drawn, for such drafts are generally "manufactured out of whole cloth," and the bank upon whom they were drawn would soon detect the difference, either in the design of the draft, or the general handwriting in the body of the draft, or the number, even if the signature was a good forgery. Then again many banks have adopted an excellent system of notifying the bank upon whom they have drawn, giving the date, number and amount of all drafts drawn. As I said before it is the innocent third party who cashes the draft who is more apt to be the loser in such cases. This should make banks very careful regarding the cashing of drafts for any but their regular customers or those personally known to them and responsible.

Days of Grace.

Formerly it was the general custom, and was acknowledged in law, to grant an extension of time beyond the regular maturity date upon all time paper. This was termed grace, and was generally confined to three days. Instances, however, are on record of four days

having been allowed, and in fact any grace that may be agreed upon would be binding in law.

This custom arose at a time when the country was young, and when it seemed to the best interests of all to deal leniently with the creditor, allowing him a little time limit beyond his contract. Of late a disposition has been shown in banking circles, especially in the older States, to abolish this custom, for it was found to be of annoyance in figuring the maturity date on time obligations, and was felt to be in reality of little or no value.

In the appendix will be seen a table showing the present grace allowed on notes and bills and on sight drafts in the various States.

It will be seen that in the majority grace has been abolished. It would be of great advantage, the country over, if all the States should adopt the same custom regarding the settlement of time obligations.

Paper Maturing on Holidays.

As regards the observance of holidays by the banks, of course they can not close their doors unless there is some legal enactment permitting them to do so. The bank is in a measure a public institution, and it is bound to be open for the business of the public, especially for the settlement of matured obligations, within certain recognized business hours upon all business days, except those recognized by law as legal holidays. As to what days are legal holidays varies in many States. The customary holidays, January 1, February 22, May 30, July 4, Thanksgiving Day (generally the last Thursday in November) and December 25, are pretty generally recognized. Some States observe February 12 (Lincoln's birthday), Good Friday, Labor Day (the first Monday in September) and the various election days, either State or National.

As to the treatment of paper maturing upon holidays or Sundays, here again the custom varies. In some States all paper maturing on these days must be paid the nearest business day prior thereto, while in others they must be paid the next following secular or business day. This state of affairs has resulted in the introduction into banking circles of a form of note in which, instead of specifying a time limit, such as three months, or sixty days, the actual date of maturity is stated, thus, on July 16, after date. This enables the maker of the note to avoid both holidays and Sundays. An illustration of this form of note was shown in the chapter on the discount department.

Hints About the Collection Department.

One very important feature should not be overlooked in the collection department or by the bank receiving from the owner any pa-

per for collection, and that is to obtain specific instructions as to whether the paper should be protested or not for non-payment. Many take the position that if the paper bears no endorsement there is no need to protest; but this does not always follow, for there are many cases where the owner of the paper may desire it protested with a view of bringing suit. In many banks it is the rule, and a very good one, to protest all unpaid paper unless otherwise directed.

All unpaid paper should be referred to the Cashier or the President of the bank before resorting to the extreme measure of protesting, and great care should be exercised, by endeavoring to communicate with the maker of the paper if possible, by telephone, or private messenger, lest the non-payment be merely caused by some unforeseen accident or oversight, and the credit of some good customer be injured. Then the bank should be *sure* that no error has been made within its doors.

When paper is given the notary to protest, it is a safe plan for the collection clerk to make a record of such in a small book, which may be called the protest record.

No special ruling is necessary for this book; it is simply a small, plain journal-ruled book in which the collection clerk notes under the date of non-payment the number and description and amount of the paper and name of the notary. In some banks this book is used as a receipt book, and the notary receipts for the paper under the record made. This is a good plan, for the bank then has an evidence of the passing of the paper into other hands, and when the paper is returned to them the receipt is marked canceled, with the date thereof.

Accidents sometimes occur in banks as elsewhere, and instances have occurred where paper left in their hands for collection has been lost or mislaid. In a case of this kind is seen the necessity of the banks having a clear and complete description of the paper, for with that record a perfect description can be given to the notary and the paper protested for non-payment.

In the protesting of drafts, time drafts may be protested for both non-acceptance and non-payment, if both conditions exist. In case of sight drafts it is not advisable to protest except for non-payment.

If a note is made payable at some particular place or bank it must be presented there for payment before it can be protested. If no locality is indicated upon it, and there is no means of finding the maker, it may be protested to hold the endorsers, if any, although presentation had not been made, but that fact should be stated by the notary and the reasons given.

The question of the profit or loss in connection with the collection department is one which interests all banks. It is often argued that

the competition between banks is so great that it is impossible to make the collection business profitable. Many banks make a rule of collecting for their regular depositors at par; this, of course, makes the collection department a pure expense. Others only collect at par for such depositors as keep a certain specified balance with the bank. Yet this is a matter which cannot always be controlled. Here is where the analysis department of the bank, mentioned in a previous chapter, comes to its assistance.

By means of this department the bank officer can easily see what the depositor's account (whether individual or bank) is worth to his bank; how much collection paper passes through it, and what it costs to make these collections. With competition active as it is, it becomes very necessary for the banks to be able to figure closely, and the bank that is able to do so the most successfully will do the most profitable business.

Another element to be considered is the business method employed. We all like to deal with a man who transacts his business in a straightforward, business-like way; is prompt in his correspondence and satisfactory in his dealings. A bank in offering to make collections for others offers certain service; if that service is performed in a prompt and satisfactory manner the bank has a right to charge for it, and my experience has been that few will object to the paying of a reasonable compensation for such service.

I have one case especially in mind. The bank had, through bad management, fallen into ill repute. The management changed, and one of the especial features of the new management was their clean, prompt, method of doing business. The competition was heavy, but they persisted in these methods, charged fair rates for collecting, and in a few years had a very large and profitable collection business.

There is no reason why the collection department of a bank should not be a source of profit, and properly handled it certainly can be.

Domestic Exchange.

One of the busy departments of an active bank is the exchange department, or as some call it the draft department.

The exchange business is divided into two classes, foreign and domestic; the foreign, as I will here treat it, pertaining to business with foreign countries, and the domestic to the business between banks in the United States. The large majority of the banks attend only to the domestic branch, so of that I will treat chiefly.

Banks keep accounts with other banks just as individuals keep accounts with them, making deposits and drawing against these de-

posits. It is to the advantage of the banks throughout the country to keep accounts with the banks in the large financial cities, and drafts issued upon these city banks are considered the best and safest means for the transmission of funds. It is in reality the transmission of credit, and the credit of a bank is seldom questioned.

The country merchant or trader desiring to settle an account at some distant city would find himself greatly inconvenienced if he was obliged to take the currency there in person, or even to ship it by express. While at the present date the personal checks of the merchant might be taken at the distant city if he was well and favorably known, yet many object to this because of the risk, and of the charges for collection often made by the city banks; he therefore goes to his bank and obtains a bank check or draft upon its correspondent, the merchant feeling perfectly assured that this manner of payment will be accepted. The issuing, or selling, of these drafts, being an accommodation, is generally made a source of profit, the rate of exchange depending chiefly upon the value of money at the point where it is needed.

Banks make their settlements between each other by means of these drafts. They are also used for the transmission of credits from one financial city to another, or a bank may draw on its correspondent for currency to be used in its regular business.

It is necessary that this department be managed with system and care. Banks object, and wisely, to issuing their drafts to strangers, for the reason that there have been many cases where the drafts have been altered to a much larger sum; others where, by the obtaining of the bank officer's signature from the draft, it has been forged to other papers.

Many banks object to the issuing of drafts for small amounts, and here also they act wisely, but in this they should be governed much by the circumstances.

The customary form for a bank draft may be seen in Fig. 142.

THE BANKERS NATIONAL BANK.

Duplicate unpaid — CHICAGO, ILL., May 1, 1902. — No. 175,690.
Pay this the original. — $150.00.

PAY TO THE ORDER OF SAMUEL POTTER

One hundred and fifty ~~~

When the drafts are issued it is important that a careful record be kept of them. The first record should be made by the teller or draft clerk, and this is done when the customer applies for the draft, and it is made upon a ticket called a draft ticket. On this ticket the whole record is made as the customer gives it, the place upon which he wishes the draft drawn, the name of the party to whom he wishes it payable, and the amount; to this the clerk adds the amount of exchange charged, and this then shows the total amount of money to be received. Fig. 143 shows the form for a draft ticket.

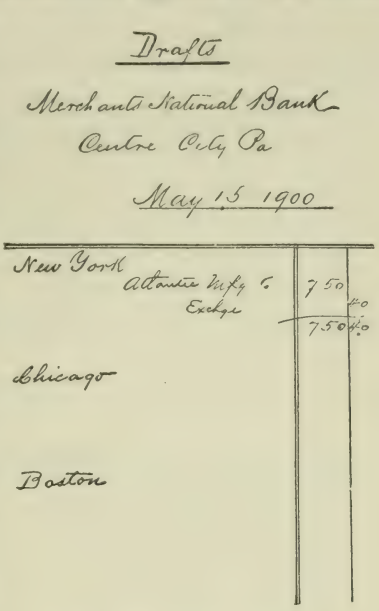


FIG. 143.—DRAFT TICKET.

It is a good plan to have these tickets made upon paper of distinctive color, pink or yellow, that they may be easily distinguished from the deposit tickets. If made in tablets they will be found convenient. In this form they become a voucher for the teller for the money received. After the receipt of the money the ticket is given to the draft clerk, and by it he is enabled to draw the drafts required; first making a proper record of the draft and exchange in a book prepared for that purpose. The draft, when filled out, is handed, together with the ticket, to the Cashier for his

DRAFT REGISTER.

Date 1900		PAYABLE TO	Number	BALTIMORE	PHILADELPHIA	NEW YORK	FEE
April	14	Johnson & Co	1050		100		10
	"	Smith Manfg. Co	1			360	25
	"	Bronson McGeorge & Co	2	462 50			25
			3				
			4				
			5				
			6				
			7				
			8				
			9				
			1060				
			1				
			2				

FIG. 144.

signature, and the ticket then put upon a file, when checked by the Cashier.

The records of the drafts are kept in two ways. In a small bank, doing a limited business, if the drafts are bound in a book with a stub, the record on the stubs will be all-sufficient. But in a larger bank it is customary to have the drafts made loose and bound in tablets, then to use a book, called a draft register, upon which to make the proper records. This system will be found serviceable for a bank of any size, and for large banks a draft register for each of its correspondents will be found necessary.

Fig. 144 gives a form for a draft register useful for moderate-sized, or even small banks, where they prefer to use the loose drafts rather than to have them bound in a book with stubs.

DRAFTS DRAWN ON First Nat. Bank New York

DATE.		IN FAVOR OF	NUMBER.	AMOUNT.	EXCH'GE.	BY WHOM PURCHASED.
1902						
apl	15	Jas. S. Jones & Co.	1950	1000	125	selves
"		Phillips Mining Co	51	3425	3	Geo. A. Patterson
			52			
			53			
			54			
			55			
			56			
			57			
			58			
			59			
			1960			
			61			
			62			

FIG 145.—DRAFT REGISTER.

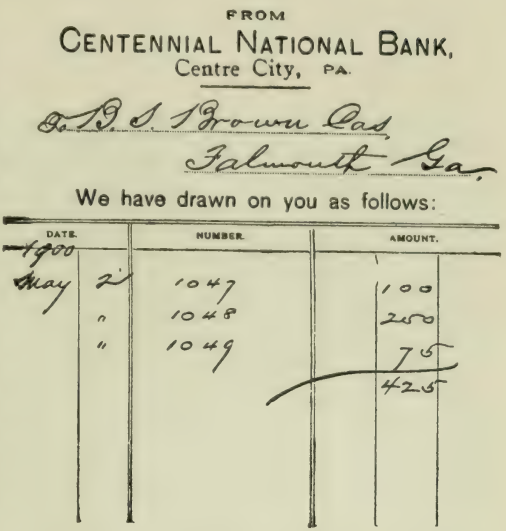
Fig. 145 shows the usual form for a draft register for a busy bank.

At the close of each day a report is made giving the total of the drafts drawn on each correspondent, and the amount of exchange, and this is given to the teller and to the general bookkeeper. From this, the latter credits the respective banks the amount drawn on them and credits exchange account with the total of exchange received.

At the close of each month the correspondent banks return the paid drafts, together with a statement called an account current, and after these drafts have been checked off from their stubs or the draft register, they have a strong Manila wrapper put around them upon which is marked the month and year, and are then filed away. Some keep these canceled drafts on shelves and some in drawers; however kept, they should be so filed as to be readily accessible for reference.

Some banks have a custom, and it is a safe one, of notifying their correspondent banks of the issue of all drafts on them. This is a safeguard against the fraudulent raising or issuing of any drafts. Fig. 146 gives a customary form for such a notice.

It sometimes occurs that a draft becomes lost or destroyed before being used, consequently the owner desires it replaced. The bank should at first look to its own protection in such matters, and require a reasonable time to elapse before issuing a duplicate, to be sure that there is little liability of the original turning up. Then it is customary to require a bond of indemnity, securing the bank from all loss. Between banks, a simple receipt stating the facts and the promise to reimburse for any loss sustained is generally considered sufficient.



FROM
CENTENNIAL NATIONAL BANK,
Centre City, PA.

D. B. S. Brown Cas,
Falmouth Ga.

We have drawn on you as follows:

DATE.	NUMBER.	AMOUNT.
1900		
May 2	1047	100
"	1048	250
"	1049	75
		425

FIG. 146.—NOTIFICATION SHEET OF DRAFTS DRAWN.

Second National
Jacksonville Fla. ~~Bank~~
Apl 25 1900

MERCHANTS NATIONAL BANK
CENTRE CITY PA

We have this day issued Duplicate of Draft No. 1342 dated Dec 29/99 payable to Jos Manning for $100.00 it not having been paid according to your account rendered to the 1st inst.

Please stop payment on original of the above described draft

Very Respectfully
S. L. Patterson CASHIER

When issuing Duplicate Drafts, please fill up this blank and return to us being careful to examine accounts rendered to date, also notify us when Duplicates are redeemed by you

FIG. 147.—NOTICE OF ISSUE OF DUPLICATE DRAFT.

When a duplicate draft is issued it should be marked or stamped across the face the word duplicate in large, plain letters. When issuing such it is customary to notify the correspondent bank upon whom it is drawn of the issuing of such a duplicate. Fig. 147 gives a good form for such a notice.

CHAPTER VI.

FOREIGN DRAFTS AND LETTERS OF CREDIT.

The methods employed regarding the issuing of foreign exchange are similar to those used with domestic. The register used for recording the issuing of foreign drafts generally has a column stating

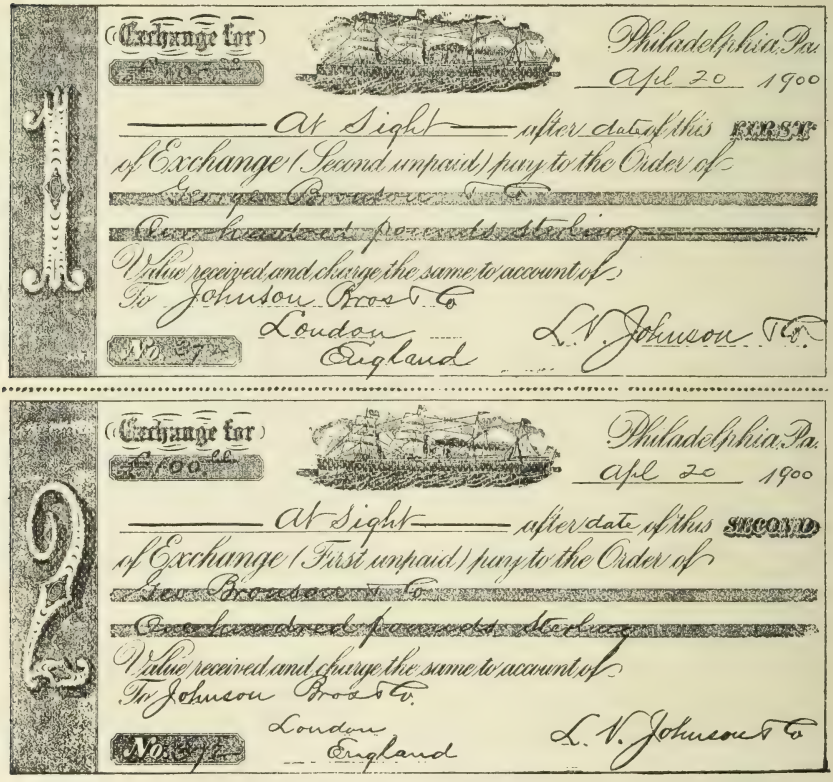
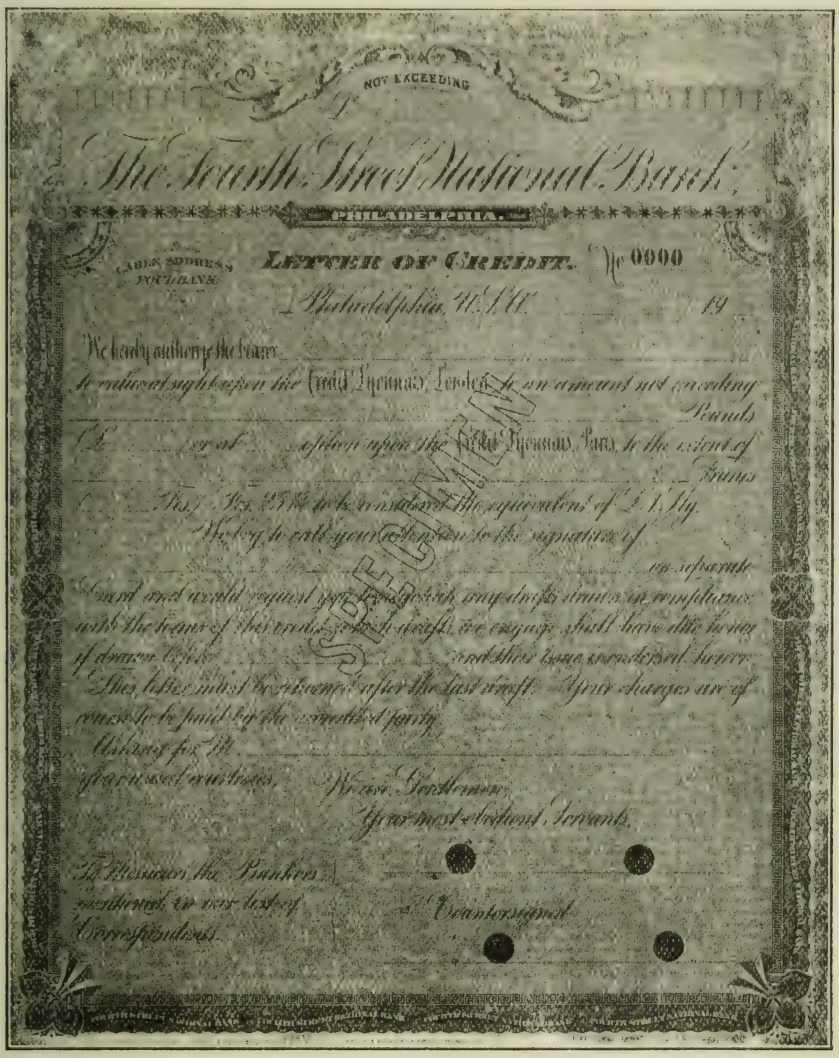

Exchange for
£100 00
Philadelphia, Pa.
Apl 20 1900
At Sight after date of this FIRST
of Exchange (Second unpaid) pay to the Order of
Geo. Brown & Co.
One hundred pounds Sterling
Value received and charge the same to account of
To Johnson Bros & Co.
London
England
No. 37
L. V. Johnson & Co.
Exchange for
£100 00
Philadelphia, Pa.
Apl 20 1900
At Sight after date of this SECOND
of Exchange (First unpaid) pay to the Order of
Geo. Brown & Co.
One hundred pounds Sterling
Value received and charge the same to account of
To Johnson Bros & Co.
London
England
No. 36
L. V. Johnson & Co.

FIG. 148.—FOREIGN DRAFTS.

the amount in the foreign money, and another giving the rate, and another the amount of American money represented. The form of the foreign drafts differs in some measure from the domestic drafts, and they are usually made in duplicate.

Advice is sent the foreign correspondent daily of the issuing of

drafts, giving a full description of each draft. This is considered a necessary precaution. In fact, the foreign correspondent would not pay a draft drawn on him until he had received such a notice.


NOT EXCEEDING

The Seventh Ward National Bank,

PHILADELPHIA.

CABLE ADDRESS
PUTCHANE

LETTER OF CREDIT. No 0000

Philadelphia, 18 .. 19

We hereby authorize the bearer
to ... at sight upon the Credit Lyonnais, London, to an amount not exceeding
Pounds
£ ... per ... upon the Credit Lyonnais, Paris, to the extent of
Francs
Frs ... to be considered the equivalent of £ 1 Stg.
We beg to call your attention to the signature of
... as appears
hereon and would request you to register same, and to limit our responsibility
with the terms of this credit to drafts we engage shall have the date
of drawer hereof ... and these have presented for
payment within ... after the last draft. Your charges are of
course to be paid by the remitted party.
Obliged for ...
your most obedient ... We are, Gentlemen,
Your most obedient Servants,

To Messrs. the Bankers
mentioned in your list of
Correspondents.

Countersigned

SPECIMEN

FIG. 149.—LETTER OF CREDIT.

Fig. 148 shows a customary form for a foreign draft.

Letters of credit are often more convenient to the traveler than drafts. These are issued by those banks having correspondents in foreign countries, or that have arrangements made with banks having direct foreign connections.

The customer deposits a certain sum in the bank for which he receives a letter of credit, less commissions and exchange.

His signature is taken, the transaction is entered upon a journal, showing both the American and the foreign money represented, and the commission and the exchange. An account is opened with the

THE AMOUNT DRAWN AGAINST THIS CREDIT NOT TO EXCEED .....POUNDS STERLING.

Date when paid.	*By whom paid.*	*Name of town.*	*Amount paid expressed in words.*	*Amount in figures.*

FIG. 149 (Continued).

depositor on a ledger kept for the purpose, crediting him with the sum represented by the letter of credit. The various correspondents are notified at once of the issue of the letter. As sums are drawn by the traveler the amount is endorsed in the place prepared for it on the inside of the letter; the home bank is at once notified, and the ledger account charged with the sum.

Fig. 149 and 149 (continued) show the forms for both sides of a letter of credit.

CHAPTER VII.

CERTIFICATES OF DEPOSIT, CASHIERS' CHECKS AND DUE BILLS.

Certificates of Deposit.

It is customary for banks to receive deposits and to account for them by other means than by keeping a ledger account with the depositor. For this class of deposits the bank gives the depositor a receipt or a certificate.

These certificates of deposit are not subject to check, and should so state on the face. They form a convenient means of depositing for savings, and it is customary in such cases to allow the depositor interest for a specified time. The fact that money cannot be drawn from this class of deposits by checks, as with the ordinary deposits, makes this form too inconvenient for the usual commercial transactions. Their chief use is for the deposit of trust funds, for savings deposits, as before mentioned, for the safe transmission or carriage of money from one section of the country to another, and for the transfer of funds from one individual to another.

The certificates state upon the face that a certain specified sum has been deposited payable to either the depositor or to some other individual, whose name must appear. If the depositor has the certificate made payable to himself he should leave his signature at the bank, but this is not necessary if it be payable to some one else. There are two classes of certificates of deposit issued—demand certificates, which permit the holder to present them at any time for payment, and time certificates, in which some specified time is mentioned. Upon these latter the banks generally pay interest, the rate depending often upon the length of time the money is to remain. In many banks a time limit is specified in the certificate, and no interest is paid after the expiration of this limit. This is a safe measure. In fact, the time certificate will be found an advantageous form.

During a financial pressure the bank is protected by the time limit from any danger of a run. In such times it is very comfortable to be able to look over the certificate register and learn when certificates will mature, and their amount, and be able to prepare for them.

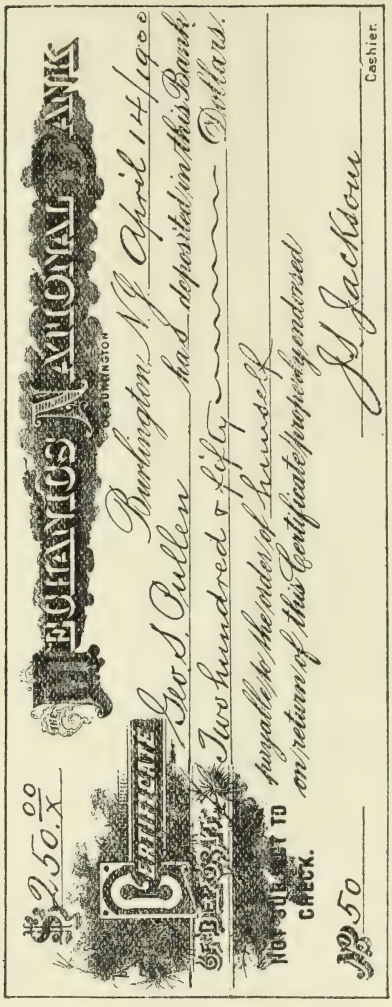


FIG. 150.—DEMAND CERTIFICATE OF DEPOSIT.

The time limit, both as to the interest and the principal, should be *very specifically* stated, however, otherwise, according to the ruling of the courts in some States, the bank may sustain a loss.

Fig. 150 shows the usual form for a demand certificate of deposit. This is shown with a stub attached, as many small banks prefer to have them bound in a book, with stub, and in such an institution it will be found convenient, but the larger banks prefer to have the certificates made in tablets, numbered consecutively, and to keep the record on a certificate register.

Fig. 151 shows a time certificate, the limit of time and the rate of interest being specified.

Fig. 152 shows a form for a certificate of deposit in which two time limits are specified, each bearing a different rate of interest, which is often found convenient.

It is of course necessary that the records regarding both the issuing and the paying of the certificates of deposit be kept with great care.

The first to be considered is the issuing. It too often occurs that when a customer wishes a certificate of deposit the certificate is issued upon his verbal instructions. This is not as it should be, for there should be a voucher for the receipt of the money, containing full written directions, as much so as for the

receipt of ordinary deposits or for the issuance of drafts. This voucher should be in the form of a ticket and should state specifically the date of issue, the name of the depositor, for whose benefit,

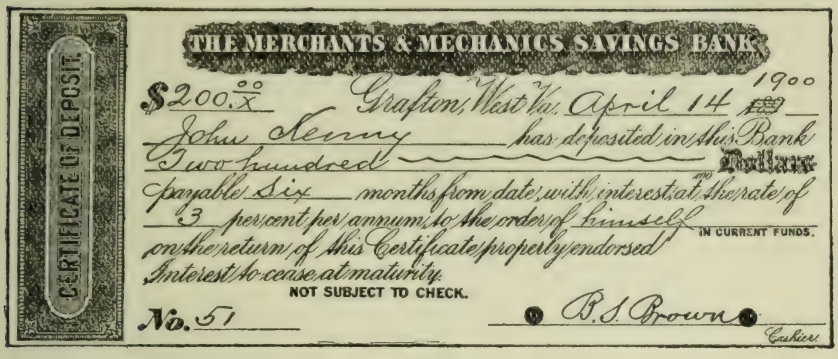

CERTIFICATE OF DEPOSIT.
THE MERCHANTS & MECHANICS SAVINGS BANK
$200.00
Grafton, West Va. April 14 1900
John Kenny has deposited in this Bank
Two hundred Dollars
payable Six months from date, with interest at the rate of
3 per cent per annum, to the order of himself
IN CURRENT FUNDS.
on the return of this Certificate properly endorsed
Interest to cease at maturity.
NOT SUBJECT TO CHECK.
No. 51
B. S. Brown
Cashier

FIG. 151.—TIME CERTIFICATE OF DEPOSIT.

and the amount. Wherever possible it is better that this slip should be filled out by the depositor. The teller then counts the money as shown by the ticket, having checked it, and passes the ticket over to the clerk whose business it is to fill out the certificate. When the certificate is made out, it, together with the ticket, is

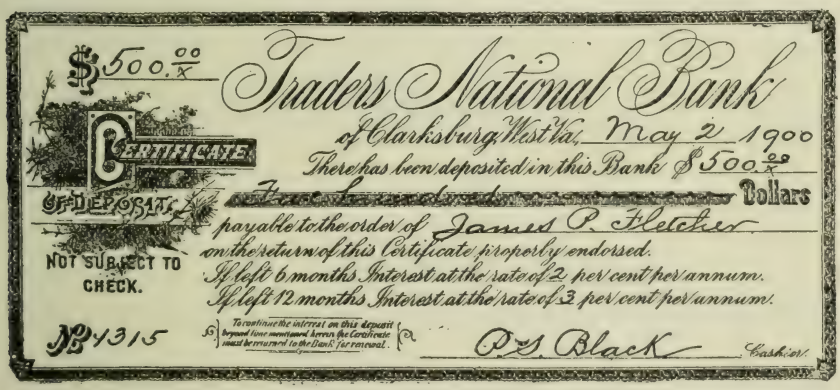
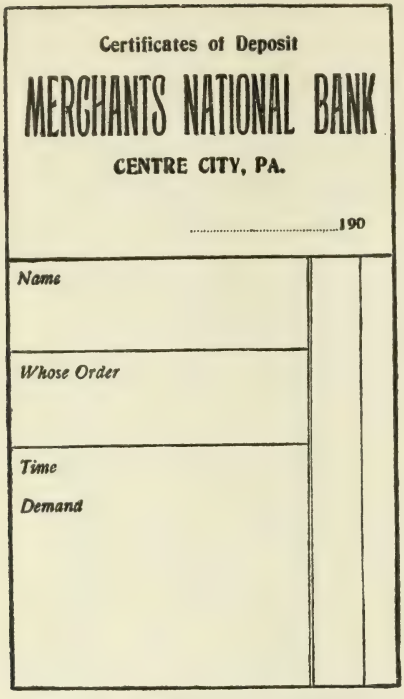

$500.00
Traders National Bank
CERTIFICATE
OF DEPOSIT
of Clarksburg, West Va. May 2 1900
There has been deposited in this Bank $500.00
Five hundred Dollars
payable to the order of James P. Fletcher
on the return of this Certificate properly endorsed.
If left 6 months Interest at the rate of 2 per cent per annum.
If left 12 months Interest at the rate of 3 per cent per annum.
NOT SUBJECT TO CHECK.
No 1315
To continue the interest on this deposit beyond time mentioned herein the Certificate must be returned to the Bank for renewal.
P. S. Black Cashier

FIG. 152.—TIME CERTIFICATE OF DEPOSIT.

taken to the Cashier for his signature, and that officer has the opportunity of seeing that the issuance is regular. The ticket, with the number of the certificate marked upon it, is finally filed away for reference.

From this ticket the entry is made on the stub of the certificate book, or in the certificate register, and where no certificate register is used, and an itemized account of the certificates kept on the gen-


Certificates of Deposit

MERCHANTS NATIONAL BANK

CENTRE CITY, PA.

.....190

Name

Whose Order

Time

Demand

FIG. 153.—CERTIFICATE OF DEPOSIT TICKET.

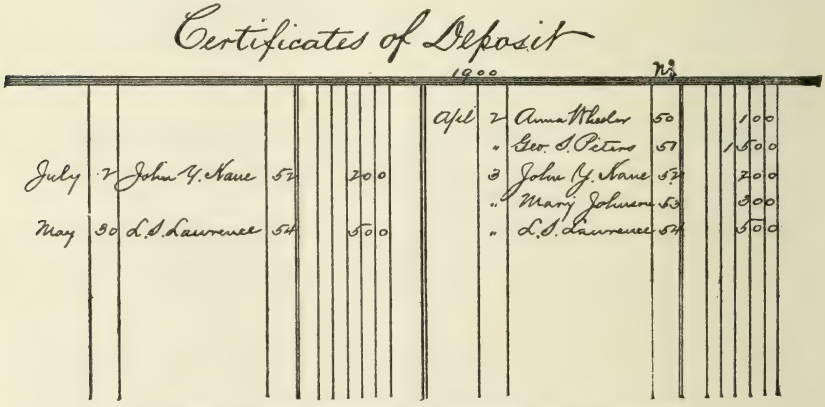
eral ledger, the ticket is the voucher from which the posting is made.

Fig. 153 shows a good form for such a ticket.

It is not sufficient that a mere record of the issuing of the certificates be kept, but this should be kept in such a way as to be able to record the payments properly, thus enabling one to learn at any time the actual amount of certificates outstanding.

There are two ways of doing this; one, which is applicable to the small banks, and especially to those that have the certificates bound in a book with stub, is to keep a ledger account in detail, styled certificates of deposit, crediting the account with each certificate issued and charging it with each payment opposite its respective issue. Some banks keep this account on the general ledger and some on the individual ledger. I think it is preferable to keep it on the former, for this class of deposits are different from the ordinary, and in making reports must be reported separately.

Fig. 154 shows the customary form of keeping this account on the ledger in detail.


Certificates of Deposit

1900

						April	2	Anna Wheeler	50		100
						"		Geo. S. Peters	51	1	500
July	7	John Y. Nane	52	2	000		3	John Y. Nane	52	2	000
						"		Mary Johnson	53		300
May	30	L. S. Lawrence	54	5	000	"		L. S. Lawrence	54	5	000

FIG. 154.—LEDGER ACCOUNT OF CERTIFICATES OF DEPOSIT.

In the larger banks, or where the certificates are made in tablets, it is necessary to keep the record of issuing in a book called a certificate register. This book shows not only the issuance, but is so ruled that the payment of any certificates may also be recorded. Fig. 155 shows a good form for this register.

Certificate of Deposit Register

When Issued 1900		Number	NAME	When Due	Amount	When Paid 1900		Amount
Apl	2	50	Anna Wheeler		100	May	15	100
	.	51	Geo. S. Peters		1500			
	3	52	John Y. Kane	Oct 3	200			
	.	53	Mary Johnson		300			
	3	54	L. S. Lawrence		500			
		55						
		56						
		57						
		58						
		59						
		60						

FIG. 155.

Where a register is used it is only necessary to have the total amount issued each day posted into the ledger account. But when certificates are paid it will be found best to enter them on the cash book or scratcher individually by *number* and amount, the total being posted in the ledger account. When one has seen the difficulty of endeavoring to reconcile a certificate of deposit account,

Cashier's Check

THE FIRST NATIONAL BANK

of Midland, Md. May 15 1900 No. 468

Pay to the order of George Johnston

Four hundred ~~~~~~~~~~ Dollars

$400.00/x

A. P. Smith

Cashier

FIG. 156.

where the ledger postings are made in totals, and no record kept of the numbers of those paid, he will appreciate my point in emphasizing the word number above.

Some banks have a practice, which invariably causes trouble, of making partial payments on certificates of deposit and endorsing the same on the back of the certificates. This cannot be too strongly

discountenanced. A certificate plainly calls for its full face. If a depositor desires to withdraw only a portion, pay him that portion, but cancel the certificate and issue him a new certificate for the balance. This method will keep the records straight at all times.

Cashiers' Checks.

Another form of obligation issued by banks is the Cashier's check. This, as its name specifies, is a check issued by the Cashier, or some properly designated officer of the bank, upon his bank, and given in payment for some indebtedness of the bank. The bank buys paper from some outside source and the Cashier gives a Cashier's check in payment.

Bills for ordinary running expenses are contracted; these are often paid by Cashiers' checks, when not in currency. The dividends are paid by Cashiers' checks, but in this case a special check is generally used on which is printed across the end or face the words dividend check.

The form for a Cashiers' check is similar to that for an ordinary bank check, but the words Cashier's check should appear on the face, generally across the left-hand end. Fig. 156 gives a good form for a Cashier's check.

A record must be kept for the issue of Cashiers' checks just as much as for any other issues of the bank, and I would recommend that the same method be employed as that recommended for the certificates of deposit, either by number on the ledger, or in a Cashier check register. The general ledger is the proper place in which the Cashier check account should be kept. These checks are generally bound in a book with a stub so that the record of the issue can be retained. At the time of the issue the Cashier fills up a charge and credit ticket charging the proper account; as, for instance, expense account, if the check is given in payment of some expense items, and crediting Cashier check account. It is seldom that these checks are outstanding more than twenty-four hours, as they are used chiefly for local payments, and when they are paid by the bank they are charged to Cashier check account on the general ledger.

This account, therefore, is frequently closed. Should a balance appear for any considerable period, the account should be carefully examined, and the stubs of the check book checked with the canceled checks. Any unchecked stubs should represent outstanding checks, and the sum of them should equal the balance shown by the Cashier check account on the ledger.

Errors are liable to creep into the Cashier check account, the certificate of deposit account, and the certified check account, and for

this reason they should be proved at least every three months, oftener if possible.

Clearing-House Due Bills.

Another class of obligation issued by banks in some of our large cities is one of a peculiar type styled a clearing-house due bill. It was originally used exclusively for the settlement of balances between the banks at the close of a day's clearing, but its usefulness has been extended so that it is now used frequently in place of certified checks between the local banks. For instance, if a customer desires to pay a note at a bank, other than the one in which he deposits, he can obtain a due bill at his own bank upon the presentation of his check, and this will be accepted at the other bank in payment for the note, when the individual check, uncertified, would not. It is also used as a means of obtaining currency or exchange from each other, between local banks. As has been shown, these due bills are only intended to be used between the local banks, and according to the terms on the face are made payable the following day through the clearing-house, which makes them a very short-time obligation.

These due bills are bound in a book with a stub, and when issued due bill account on the general ledger is credited with the amount and the proper account charged. When the due bills return to the bank and are paid,

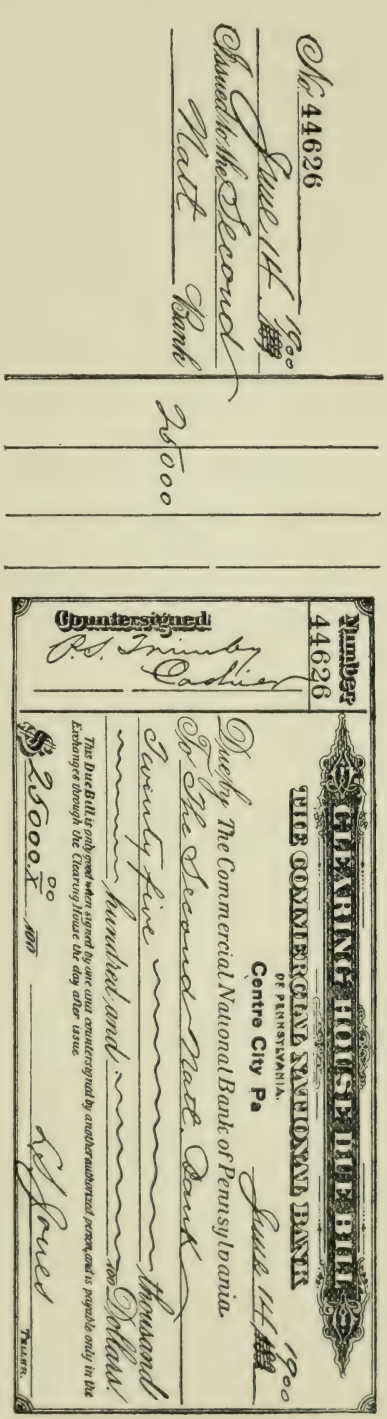

No. 44626
Issued to the Second Nat. Bank
25000
CLEARING-HOUSE DUE BILL
THE COMMERCIAL NATIONAL BANK
OF PENNSYLVANIA.
Centre City Pa.
Due by The Commercial National Bank of Pennsylvania
To The Second Nat. Bank
Twenty five hundred and ---- Thousand ---- Dollars.
That Due Bill is only good when signed by one and countersigned by another authorized person, and is payable only in the Exchanges through the Clearing House the day after issue
Number 44626
Countersigned
Cashier

Fig. 157.

due bill account is charged. Fig. 157 shows the customary form for the clearing-house due bill.

This account is one that should be carefully watched, and it can be easily done, as the balance shown should be made up of recent issues.

CHAPTER VIII.

THE CLEARING-HOUSE.

We have shown in previous chapters the working of the various departments in a bank. But most closely and intimately allied with modern banking is an institution that has become indispensable in our cities, the clearing-house.

There is probably no device in banking that is so perfect an epitome of and so thoroughly illustrates the operations of banking, as the clearing-house. The clearing-house, so far as the public is concerned, through its connection with other clearing-houses, unites all the banks of the city and of the country into one bank. It is the medium by which the banks are brought into intimate relations with each other, and this is not only of the greatest benefit to themselves but to the whole commercial world.

Although the United States is one of the youngest of the great nations to adopt a clearing-house system, yet it has the most complete of any country.

The earliest known record of clearing-house transactions is in 1775, in London. In 1853 the New York Clearing-House was established, and soon its great benefits were seen, and the system grew until at present nearly every city in the land, that has a half dozen or more banks, has its clearing-house.

In no country in the world has the use of checks in all business transactions become so general as in the United States. It is computed that ninety per cent. of the financial business of this country is carried on by the use of checks.

By means of the clearing-houses, and this check system, the community is enabled to transact the bulk of its business without the risk or annoyance of the handling of actual money to any great extent. During a single day checks are given representing hundreds of millions of dollars. In New York city alone the daily clearings of checks will average over $150,000,000. It is easy to see that but for the clearing-house it would be well-nigh impossible to carry on this immense volume of business.

Previous to the establishment of the clearing-house in New York the method of settlements, or exchange of checks between the banks

in that city, was both cumbersome and laborious. The porters, or messengers, of each bank, with their bags of checks and money and memorandum books, were obliged to visit every other bank and leave their checks, taking a receipt for them, final settlements being only made weekly.

This weekly settlement was very unsatisfactory and some banks took advantage of it, by inflating their line of discounts on the strength of balances due the other banks. A bank would run small debit balances with a number of the other banks that might aggregate, say, one hundred thousand dollars, and would loan this out on paper. Then the bank would borrow enough on Thursday to carry it over settlement day (Friday) and on Saturday by returning the loan would be again a debtor. Banks would frequently draw on each other for specie, and the beginning of such draft would frequently extend down the line.

The annoyance of this was so great that it necessitated the organization of a clearing-house. This was done, and it was opened for business October 11, 1853, at No. 14 Wall street. Under the old method from two to three hours was occupied each day in making exchanges, while with the clearing-house in operation the exchanges are made in ten minutes, and the final proof in not over forty-five minutes.

Method of Making Settlements.

Another and great advantage of the clearing-house is in the manner of settlements. Formerly each bank was obliged to settle with each other bank, this often requiring large sums of money to be carried by the messengers. Now the settlements of the debtor banks are made to the clearing-house, and the clearing-house settles the credit balances. These settlements are now made in clearing-house gold certificates, United States gold certificates, gold coin and United States notes, in our large cities. In New York the payments are nearly all made in clearing-house gold certificates, representing gold coin on deposit in the clearing-house vaults, this medium being considered the safest and most convenient. The balances received and paid at the New York Clearing House for the year 1900 were as follows:

Gold coin	$35,000
U. S. gold certificates (bearer)	447,948,000
" " " (order)	5,270,000
U. S. Notes	9,413,810
Clearing-house gold certificates (order)	2,267,775,000
	$2,730,441,810

In Boston the settlements in 1900 were made in the following mediums and proportions:

Clearing-house gold certificates	$242,000,000
" transfer orders	224,000,000
U. S. gold certificates	57,000,000
U. S. legal tenders	34,000,000
Gold coin	195,000

In Philadelphia the settlements are made for all sums of $5,000 and over in clearing-house gold certificates or U. S. gold certificates, the amounts below $5,000 being paid by the debtor banks in clearing-house due bills, and by the clearing-house to the creditor banks by checks on its account in bank.

In Chicago the settlements made in currency in 1900 were made as follows:

Gold	$13,135,000
Bills	68,023,650
Fractional	760,595

In this city the clearing-house balances are partially settled by "trades" between the banks, by the use of drafts or transfer orders on the clearing-house.

In Minneapolis the settlements are usually made in cash, but a part of the settlement is frequently effected by the sales of exchange.

In the smaller cities the method in use is similar to that in Minneapolis.

It will be seen by the above statements that while each city adopts virtually the same or similar methods, that some local features appear, such as the clearing-house transfer orders in Boston, and the clearing-house due bills in Philadelphia. But the general idea is the same, to make the settlements in as secure and safe a manner as possible.

Besides this convenience for the exchange of checks the clearing-house fills another very important place. By the frequent bringing together of the officers of the banks important financial questions are discussed to the benefit of all. By their system of records of all the clearings, and by the recording of sworn statements of the various banks, and by their powers to examine any bank which is a member of the association, a very close watch is kept upon the condition of each bank, any weakness shown will be quickly known, and may be the means of avoiding serious disaster. In this way this association of the banks has more than once been not only self-protecting, but in so doing has protected the interests of the public.

In various financial crises in this country the clearing-houses have proved themselves of inestimable value, in carrying many weak banks which had plenty of good discounted paper, by issuing to them upon the security of this paper clearing-house certificates which could be used in making settlements for their exchanges. The old

adage that "In union there is strength" has certainly shown itself here most fully and effectively.

Establishing a Clearing-House.

To establish a clearing-house, the various banks, by their officers, meet and agree to associate themselves together for the purpose of settling daily the various demands upon each other. An organization is effected, officers are elected, generally a President, Secretary, Treasurer and a Manager. A constitution and by-laws are agreed upon, also rules for the local management, and committees appointed, which are generally the clearing-house committee, committee on conference, nominating committee, committee on admissions, and an arbitration committee. A central point is decided upon where the business is to be transacted, generally a room for the express purpose, but often in small towns some bank. Blanks must then be printed for the use of the clearing-house and for the banks. Certain books of record should also be kept at the clearing-house, for in the coming years it may be important, in fact has often proved so, that the condition of certain banks for certain periods be inquired into. Also the increase or decrease of the clearings for any period will indicate pretty clearly the business conditions of the community. The number of blanks employed and the books of record used depend much upon the amount of business transacted. In small cities the methods are quite simple, while in cities like New York, Philadelphia, Chicago, or Boston they are naturally more complex.

The expenses consequent upon the running of the clearing-house are generally paid from a fund raised by an assessment upon the banks, which varies in different cities. In some cities the expenses for printing are apportioned equally among the banks.

In New York all new members of the association pay an entrance fee in proportion to their capital, the sum varying from $5,000 to $7,500. In Philadelphia each bank upon becoming a member is obliged to deposit securities with the clearing-house in proportion to its capital, as collateral for its settlements.

The rules for the management of the clearing-house are necessarily strict. Punctuality and care are absolutely necessary, and to enforce these a system of fines ranging in New York from one to three dollars for each offence has been established.

In New York the hour for commencing the exchange is ten o'clock *sharp*, and forty-five minutes are allowed for a proof. In Philadelphia there are two exchanges daily, one at 8.30 A. M. called the morning exchange, which is confined to items received during the previous business day, and one at 11.30 A.M. called the runners' exchange, which is confined to notes, acceptances and checks pay-

able on the day of the exchange, the mail items, of course, being considered.

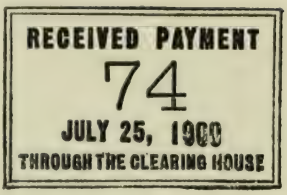


Fig. 158.

An organization being effected each bank is given a number, which is called its clearing-house number, and this number is invariably used in stamping all the checks sent to the clearing-house and upon all its clearing-house blanks. The accompanying illustration (Fig. 158) represents one of the stamps mentioned. The operation of making the exchange is about as follows, taking the New York system as the guide:

The checks and collection items made payable at other banks are gathered during the day either from the receiving teller, the collection clerk, or from the mail, and these are assorted according to the banks where payable and placed in pigeon-holes or files, being first stamped on the back with the clearing-house number of the bank

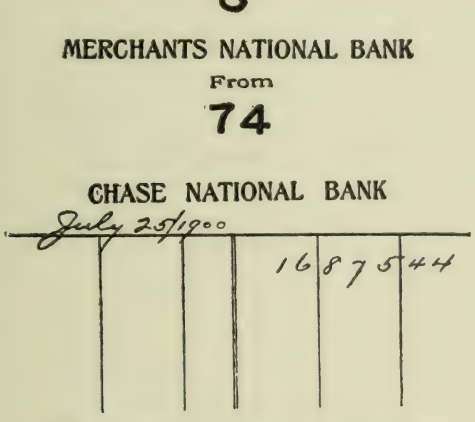


Fig. 159.—Clearing House Envelope.

holding them, as mentioned above. Lists upon what are called exchange slips are made of the checks in each file. This was formerly done with pen and ink, but now the arithmometer or adding machine is almost universally used. The checks and their accompanying lists are then put into large Manila envelopes on which are printed the name and number of the bank to which the checks are to be sent, and the name and number of the bank holding them, with a place for the date and total amount. Figs. 159 and 160 show the usual form respectively for these envelopes and lists or exchange slips.

It is now quite customary in large banks to have the lists mentioned made by the arithmometer in duplicate by the use of carbon

paper, one being on comparatively thin paper. These thin paper lists are then pasted in a book kept for that purpose at the receiving teller's desk, and form a part of his records. This is a very safe plan, as the teller then has his own independent list of these vouchers to which he is entitled.

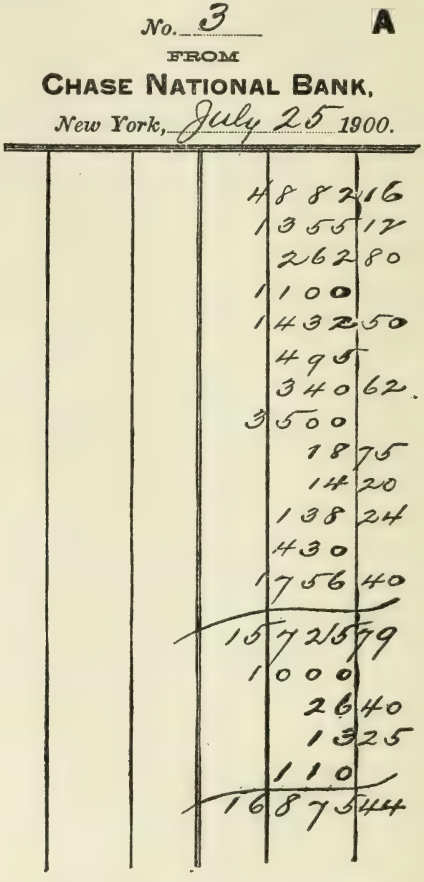


FIG. 160.—CLEARING HOUSE SLIP.

The following morning after the items received in the mail have been added to the slips, the totals are then entered on a sheet called the settling clerk's sheet, opposite their respective names and numbers, in the debit column.

Fig. 161 represents the settling clerk's sheet somewhat abbreviated. The figures on the credit side are not entered until after the exchange has been made at the clearing-house. They are shown here simply to illustrate the completed sheet. All figures in these forms are fictitious and only used for illustration.

No. 74. CHASE NATIONAL BANK.

Settling Clerk's Statement, July 25 1900

No.	BANKS.	DEBIT.	No.	CREDIT.
1	Bank of N.Y.Nat'l Bank'g Asso	48 762 14	1	37 376 20
2	Manhattan Company,	26 415 38	2	20 175 07
3	Merchants' National Bank,	16 87 544	3	18 347 16
4	Mechanics' National Bank,	38 762 15	4	30 785 18
6	Bank of America,	11 440 16	6	16 417 14
7	Phenix National Bank,	20 376 10	7	18 348 76
8	National City Bank,	77 780 13	8	48 876 36
12	Chemical National Bank,	41 358 77	12	30 565 87
	57 other Banks	1914 292 62		1.853 248 86
		2,190 562 25		2,069 031 30
	Balance			121 530 95
				2,190 562 25

FIG. 161.

The sheet mentioned having been prepared, a ticket is now made out called a credit ticket, and upon this is entered the grand total of the debit column as shown by the sheet. This ticket is generally printed in red, or upon red paper to distinguish it. Fig. 162 gives the form for this ticket as used in New York.

New York Clearing House.

No. 74. New York Clearing House, July 25 1900

Credit Chase National Bank, $ 2,190,562,25

G. P. King Settling Clerk.

FIG. 162.—CLEARING-HOUSE CREDIT TICKET.

The amount of the exchange against each bank, as shown by the sheet, is now entered on a corresponding ticket called a check ticket or small ticket, which is shown by Fig. 163.

This ticket may, however, be made out by the settling clerk after he reaches the clearing-house. On it is written the amount of the exchange as shown by the exchange slip. As the packages of checks and their respective exchange slips are taken away from the clear-

ing-house soon after the exchange is made, generally in from ten to fifteen minutes, these small tickets are used by the settling clerks in place of them, to check back the amounts as originally entered on the packages, the packages being no longer in the clearing-house and available for that purpose.

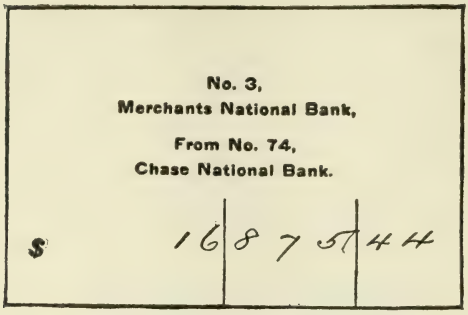


FIG. 163.—CLEARING-HOUSE CHECK TICKET.

A duplicate list of the debit items mentioned is made on a sheet called clearing-house delivery sheet or settling clerk's receipt or package receipt, as shown in Fig. 164.

The packages being sealed, which is done in most cities, and is advisable, shortly before the hour for making the exchanges two clerks leave the bank for the clearing-house to make exchanges; one, entitled the settling clerk, carrying his sheet and the credit ticket, the other, called the

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No. 74. CHASE NATIONAL BANK.

Clearing House Delivery Sheet, July 25 1902

No.	BANKS.	AMOUNT.		RECEIVED.
1	Bank of N.Y.Nat'l Bank'g Asso	48 76 2 14		1 L.O. Banks
2	Manhattan Company,	26 41 5 38		2 J.S. Fisher
3	Merchants' National Bank,	16 87 5 44		3 Geo. Jones
4	Mechanics' National Bank,	38 76 2 15		4 D.L. Smith
6	Bank of America,	11 44 0 16		6 A.P. Roberts
7	Phenix National Bank,	20 37 6 10		7 P.B. Shaw
8	National City Bank,	77 28 0 13		8 Geo. F. Greene
12	Chemical National Bank,	41 35 8 22		12 B.P. Brown
	57 Other Banks	1914 29 2 53		Sundry other signatures
		$190 56 27 75		

FIG. 164.

messenger or delivery clerk, carrying the packages, the check tickets and the delivery sheet.

This completes the principal work in the bank of preparing for the exchanges. After the exchanges have been made, and the messenger has returned to the bank with the package of checks and col-

lection items payable by them, these must first be carefully examined as to signatures, endorsements and the condition of the accounts against which they are drawn.

If there is any irregularity in signatures or endorsements those items are at once returned to the bank from which they came, where they will be redeemed. Where it is found that an account has not sufficient balance to meet the items presented against it, these items are generally marked with pencil on the back the words not sufficient and returned to the bank whence they came, unless the depositor has previously arranged for their payment.

On entering the clearing-house the delivery clerk gives the credit ticket mentioned to the proof clerk at the Manager's desk, and the two clerks (settling and delivering clerk) then pass to their desk. Each settling clerk has his desk, and these desks are arranged in serial order, according to the bank numbers, thus facilitating the distribution and collection of the exchanges. The settling clerk occupies the desk with the settling sheet before him, and the delivery clerk takes his position in front of the desk, carrying his packages of checks and his delivery sheet previously mentioned.

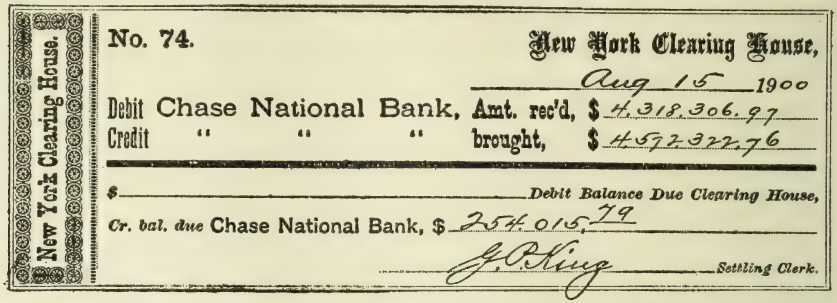
Promptly at ten o'clock the Manager takes his position on the platform with his Assistant Manager and staff, one of whom is the proof clerk, who has a proof sheet upon which he enters the amounts of the credit tickets in the third, or credit, column opposite the names of the respective banks.

At the first tap of a gong every clerk must be in his place and ready for business. At the second tap the exchange begins, each delivery clerk advancing to the next desk, where he delivers the checks belonging to that bank and takes the receipt for them, from the settling clerk, upon the delivery sheet. They pass in this manner from desk to desk until the exchange is completed. Each settling clerk upon receiving a package of checks enters the amount noted on the envelope on his settling sheet opposite the name of the bank from which he received it.

In about ten minutes the exchanges have been completed, bringing each delivery clerk back to the point opposite his own desk, and his delivery sheet, signed by every settling clerk, is a voucher to his bank that all the exchanges he has brought to the clearing-house have been received by the proper parties. The settling clerk now fills out a small check ticket for each bank, with the amount of their respective exchanges, which are properly distributed. The delivery clerk receives the exchanges left at his desk from the other banks, counts the number of packages, compares them with the settling clerk's sheet, and if found correct takes them to his bank. The settling clerk remains to make the final proof. He foots up his

settling sheet and then fills out a ticket called a debit ticket, which is here shown in Fig. 165.

This ticket shows the amount of checks brought to the clearing-house by the bank, and the amount of checks received from other


New York Clearing House.

No. 74. New York Clearing House,

Aug 15 1900

Debit Chase National Bank, Amt. rec'd, $ 4.318.306.97

Credit " " " brought, $ 4.572.322.76

$ Debit Balance Due Clearing House,

Cr. bal. due Chase National Bank, $ 254.015.79

J. P. King Settling Clerk.

FIG. 165.—CLEARING-HOUSE DEBIT TICKET.

banks through the clearing-house, and the balance or amount due the bank or the clearing-house, as the case may be. This ticket is given to the proof clerk at the Manager's desk. This clerk having already entered the amount shown by the credit ticket, before mentioned, on his proof sheet, now enters on the same sheet in the

NEW YORK CLEARING HOUSE PROOF. August 24 1900

No.	BANKS.	DUE CLEARING HOUSE.	BANKS. Dr.	BANKS. Cr.	DUE BANKS.
1	Bank of N. Y. Nat'l Bk'g Assoc'n,	3956998	13328726228	13285156630	
2	Bank of the Manhattan Company,		11894730700	12850166027	9559605327
3	Merchants' National Bank,		4574781041	4654920216	11210975
4	Mechanics' National Bank,	10713795	2447289107	2365758127	
6	Bank of America,	2130335	2779305727	2576797218	
7	Phenix National Bank,		469875750	648325446	178450296
8	National City Bank,		15977436375	19781574427	3809137767
13	Chemical National Bank,		2876879705	3168962718	292089283
	57 other Banks	150029797 98	1042766393939	992886503	10014990727
		15362716 25	15856378577	15856378577	15362716 25

FIG. 166.

second or debit column the amount marked debit on the debit ticket, and the balance in the proper respective column. Fig. 166 shows the clearing-house proof sheet.

When the amounts on all the debit tickets have been entered on the proof sheet, and the sheet footed, if all the work has been done

correctly the aggregates of the debits and credits should agree, and the debit and credit balances be the same.

The proof is generally announced in about half an hour, as it is seldom correct at first. Various methods are adopted to correct errors, such as the exchanging of sheets to the right, or left, for examination of footings and the checking off of the items with the check tickets. If a proof is completed within forty-five minutes from the time of beginning, no fine is imposed, and the proof is announced; but if more than that time is occupied the bank or banks causing the delay are fined according to a fixed scale.

After a proof is arrived at in the clearing-house the Manager or Assistant Manager calls off to the settling clerks of the various

AUG 24 1900 189

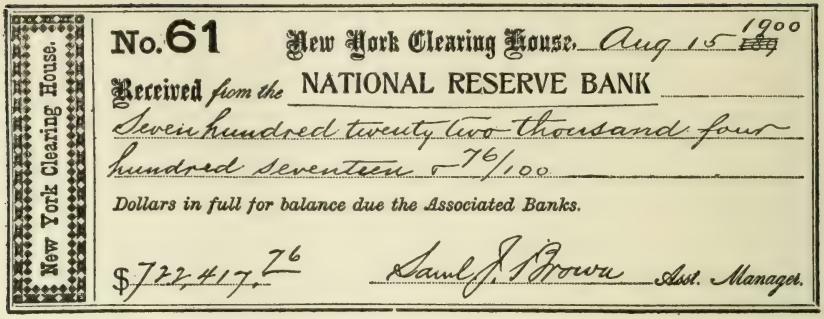
No.	BANKS.	Dr.	Cr.
1	Bank of N. Y. Nat'l Bk'g Assoc'n,	39	
2	Bank of the Manhattan Company,		955
3	Merchants' National Bank,		112
4	Mechanics' National Bank,	107	
6	Bank of America,	213	
7	Phenix National Bank,		178
8	National City Bank,		3809
12	Chemical National Bank,		292
	Exchanges,	15856 3	
	Balances,	15362	

FIG. 167.—CLEARING-HOUSE MEMORANDUM OF BALANCES.

banks the balances over $1,000, which they copy on long narrow lists called memorandum of balances. These lists are taken with them to their respective banks and given to their officers for their information regarding the relation of each bank to the clearing-house for that day. The list also shows the total of the clearings and the total of balances. Fig. 167 gives the form for this list, of course much abbreviated.

The clearing-house proof, as is seen, exhibits the total amount of exchanges received from each bank and the total taken away by each bank, and the balances due to or from the banks.

The column on the left-hand side of the proof sheet shows the balance due from each debtor bank to the clearing-house. This amount must be paid to the clearing-house between 12.30 and 1.30 P. M., for which the banks receive receipts. Fig. 168 shows the form of this receipt.


New York Clearing House.

No. 61 New York Clearing House. Aug 15 1900

Received from the NATIONAL RESERVE BANK

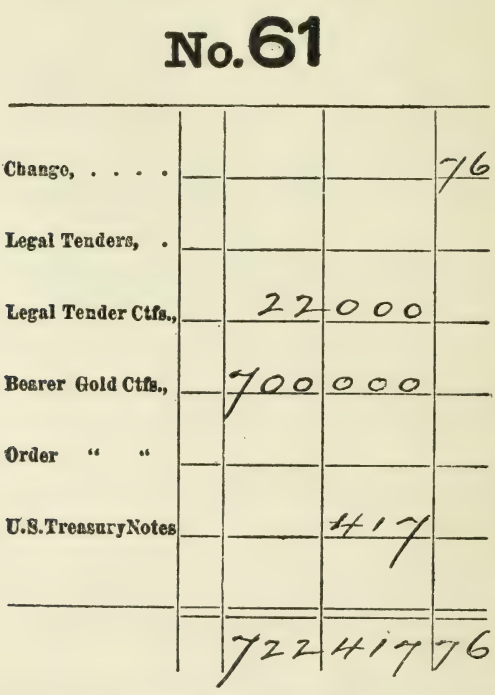
Seven hundred twenty two thousand four hundred seventeen 76/100

Dollars in full for balance due the Associated Banks.

$722,417.76 Saml J. Brown Asst. Manager.

FIG. 168.—CLEARING-HOUSE RECEIPT FOR SETTLEMENTS.

Upon the back of the receipt is a statement showing how the debt was paid, which is exhibited by Fig. 169.


No. 61

Change, ...				76
Legal Tenders, .				
Legal Tender Ctfs.,		22	000	
Bearer Gold Ctfs.,		700	000	
Order " "				
U.S. Treasury Notes			417	
		722	417	76

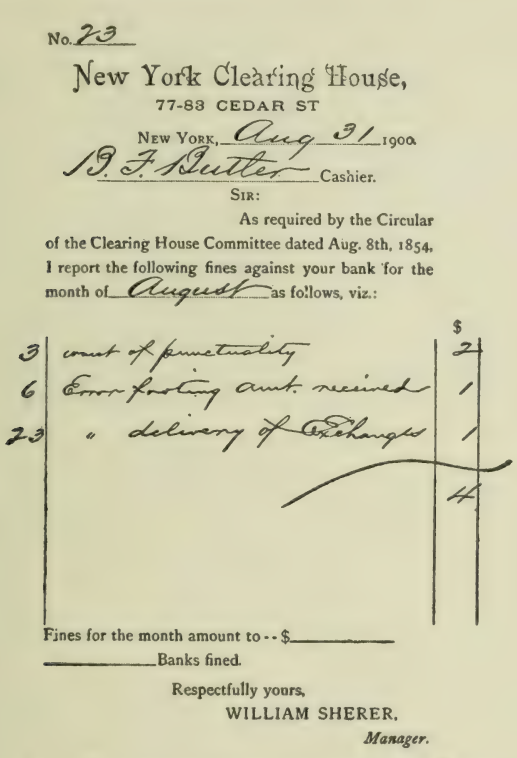
FIG 169.—STATEMENT OF CLEARING-HOUSE SETTLEMENT.

At 1.30 P. M., or as soon as the amounts are proved, the credit banks receive from the clearing-house the balances due them, for which they give their receipts in a book for that purpose.

To enforce the necessary discipline among the bank clerks in the clearing-house the system of fines mentioned is as follows:

Errors on credit side of settling clerk's sheet	$3
Errors on debit side of settling clerk's sheet	2
Errors in tickets	2
Errors in footing amount received	1
Disorderly conduct	2
Want of punctuality	2
Debtor banks failing to pay balances by 1.30 P. M.	3
Errors in delivery on receipt of exchanges	1

The fines are charged daily to the respective banks, and at the close of a month a statement of them is sent to the banks. Fig. 170 shows the form of this statement.



No. 23

New York Clearing House,
77-83 CEDAR ST

NEW YORK, Aug 31 1900.

B. F. Butler Cashier.

SIR:

As required by the Circular of the Clearing House Committee dated Aug. 8th, 1854, I report the following fines against your bank for the month of August as follows, viz.:

		$
3	want of punctuality	2
6	Error footing amt. received	1
23	" delivery of Exchanges	1
		4

Fines for the month amount to -- $_____

_____ Banks fined.

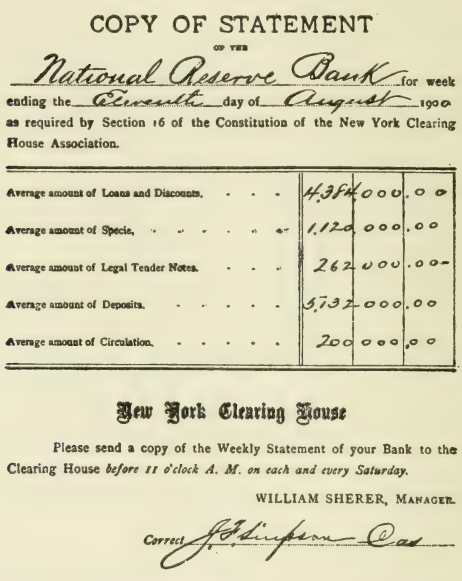
Respectfully yours,
WILLIAM SHERER,
Manager.

FIG. 170.—CLEARING-HOUSE STATEMENT OF FINES.

The establishment of the clearing-house has proved an important factor in the promotion of sound banking. Besides the requirement of the daily settlement of balances, the weekly statement of all the associated banks has become obligatory. This statement is made upon a blank prepared for the purpose. These blanks are printed upon white paper for the associated banks and on pink paper for banks that are non-members. Fig. 171 shows one of these blanks. From these weekly statements the Manager of the clearing-house

compiles two statements of all the banks, one representing the associated banks and the other the non-member banks. These statements are printed and furnished to each member and non-member, and published in the papers, and this publicity is a safeguard. Figs. 172, 173 and 174 show these reports for August 11, 1900.

The books of record kept at the clearing-house are ledgers, statement books and registers. In the ledgers are kept accounts with each bank to which are posted daily all the amounts entered on the proof sheet There are weekly statement books and quarterly state-



COPY OF STATEMENT

OF THE

National Reserve Bank for week ending the Eleventh day of August 1900 as required by Section 16 of the Constitution of the New York Clearing House Association.

Average amount of Loans and Discounts.	43[illegible]000.00
Average amount of Specie,	1,120,000.00
Average amount of Legal Tender Notes.	262,000.00
Average amount of Deposits.	5,737,000.00
Average amount of Circulation.	200,000.00

New York Clearing House

Please send a copy of the Weekly Statement of your Bank to the Clearing House *before 11 o'clock A. M. on each and every Saturday.*

WILLIAM SHERER, MANAGER.

Correct J. J. Linpson Cas

FIG. 171.—CLEARING-HOUSE WEEKLY STATEMENT.

ment books which are made up from the reports of each bank. In the registers is kept a record of the balances paid to or received from the banks in settlement of daily exchanges, also a record of the various kinds of money received, certificates issued and deposits of collateral with the clearing-house. Besides these there are the record books of the several committees, and the few necessary books for the accounts of the clearing-house.

As New York was the first city in the United States to adopt this system of making exchanges it was natural that other cities should look to that center for ideas upon the same subject.

One universal custom all over the county is the use of numbers for designating the clearing-house banks in the various cities, and

New York Clearing House.

SUMMARY OF WEEKLY STATEMENT OF ASSOCIATED BANKS.

Week ending, Aug 11 1900

Loans,		808	046	200	$	4348	300	Increase.
Specie,		177	029	800		443	400	Increase.
Legal Tenders,		75	448	500		730	600	Decrease.
Net Deposits,		897	409	400		2926	900	Increase.
Circulation,		27	411	300		765	600	Increase.

Decrease of RESERVE, $ 1.018.925.

Clearings for the week,	667	786	104	89	
Balances " " "	41	729	667	72	
Clearings this day,	111	413	668	79	
Balances " "	6	644	980	60	

FIG. 172.

Statement of the Associated Banks of the City of New York.

From Reports to the New York Clearing House, as required under Section 16, of the Constitution.

For Week ending Saturday, August 11th, 1900.

NOS.	BANKS.	*CAPITAL.	*NET PROFITS	LOANS.	SPECIE.	LEGALS.	DEPOSITS.	CIRCULATION.	NOS.
1	Bank of N. Y. Nat'l Bkg. Assoc'n	$2,000,000	$2,158,800	$14,903,000	$3,137,000	$1,410,000	$15,601,000	50,000	1
2	Bank of the Manhattan Company.	2,050,000	2,203,600	19,916,000	6,829,000	2,963,000	26,440 000		2
3	Merchants' National Bank	2,000,000	1,205,400	13,284,300	3,269,500	1,676,300	16,552,800		3
4	Mechanics' National Bank	2,000,000	2,293,000	12,450,000	3,126,000	347,000	12,924,000		4
6	Bank of America	1,500,000	3,011,100	21,837,400	4,541,300	2,120,100	25,290,100		6
7	Phenix National Bank	1,000,000	274,000	4,756,000	1,264,000	223,000	5,159,000	38.000	7
8	National City Bank	10,000,000	5,278,600	97,582,000	36,883,000	5,566,000	122,281,000	3,953,600	8
12	Chemical National Bank	300,000	6,964,000	24,232,000	4,744,400	3,261,700	25,391,100		12
13	Merchants' Exchange Nat'l Bank	600,000	228,500	4,765,000	873,900	583,800	5,427,700	30,100	13
14	Gallatin National Bank	1,000,000	1,850,600	8,927,600	909,400	908,300	7,295,500	981,800	14
15	Nat'l Butchers' and Drovers' Bank	300,000	89,400	1,075.900	195,900	62,900	1,006,400	43,000	15
16	Mechanics' and Traders' Bank	400,000	114,800	2,234,000	191,000	204,000	2,316,000		16
17	Greenwich Bank	200,000	176.300	947.200	102,500	180,800	872,900		17
18	Leather Manufacturers' Nat'l Bank	600,000	506 600	3,727,500	661,100	198,600	3,403 000	464.500	18
19	Seventh National Bank	300,000	223 600	3,594,600	543,700	370,400	4,445,700	299,700	19
20	Bank of the State of New York	1,200,000	536,600	4,395,200	297,600	419,900	3,658,700		20
21	American Exchange National Bank	5,000,000	2,848,600	27,676.000	3,349,000	2,025,000	21,444,000	4,564,900	21
23	National Bank of Commerce	10,000,000	7.029,300	64,500,500	6,562,900	6,645,900	53,778,100	7,056.100	23
25	National Broadway Bank	1,000,000	1,647,800	6 686,700	941,300	398,800	5,820,000	200,000	25
27	Mercantile National Bank	1,000,000	1,232,800	13,191,000	2,544,300	1,464,900	14,059,300	1,000,000	27
28	Pacific Bank	422,700	493.900	2,799,200	164,800	569,900	3,290,600		28
29	National Bank of the Republic	1,500,000	1,143,200	20,161,500	4,295,800	1,456,400	22,768,100	1,041.400	29
30	Chatham National Bank	450,000	1,000,700	6,106,200	674,500	947.500	6,253,700	50,000	30
31	People's Bank	200,000	325,200	2,193,500	99,800	594,900	2,673,200		31
32	National Bank of North America	1,000,000	659,500	13,005,000	2,357,800	1,068,000	14,250,600	678,400	32
33	Hanover National Bank	†3,000,000	†5,014,100	43,492,300	11,578,200	2,861,100	49,663,200	1,575.400	33
34	Irving National Bank	500,000	467,000	4,250,000	779,900	593,800	4,773,000	184,900	34
36	National Citizen's Bank	600,000	420,500	3,095,700	443,400	206,900	3,096,800	195.700	36
40	Nassau Bank	500,000	274,800	2,644,900	434,500	269,400	3,058,000		40
42	Market and Fulton National Bank	900,000	1,020,000	6,416,700	1,309,500	647,300	6,923,700	183,400	42
44	National Shoe and Leather Bank	1,000,000	211,200	3.923,000	1,018,400	307,900	4.583,800	50,000	44
45	Corn Exchange Bank	1,400,000	1,840,100	18,980,800	2,611,000	2,876,000	22.253,200		45
47	Continental National Bank	1,000,000	510,600	4.887,100	948,300	549,300	5,910,000	321,600	47
49	Oriental Bank	300,000	406,500	2 002,400	189 800	291,600	1,920,000		49
53	Importers' and Traders' Nat'l Bank	1,500,000	6,150,100	24,803,000	8,319,000	1,862,000	28,423,000	47,200	53
54	National Park Bank	3,000,000	3.306,200	46,464,000	8,938,000	5,789,000	56,922,000	49,400	54
59	East River National Bank	250,000	162,900	1,244,600	199,700	137,800	1,320,200	50,000	59
61	Fourth National Bank	3,000,000	2,376,000	23,528,200	4,626,100	2,090,300	25,388,900	50,000	61
62	Central National Bank	1,000,000	539,900	11,426,000	3,608,000	1,135,000	15,820,000	60,000	62
63	Second National Bank	300,000	799,000	8,689,000	1,745,000	679,000	9,571,000	282,000	63
64	Ninth National Bank	750,000	162,800	2,311,100	631,000	329,000	2,757,300	49.900	64
65	First National Bank	500,000	9,117,000	39,289 100	6,732,900	1,791.400	38,268,100	492,200	65
67	New York Nat'l Exchange Bank	300,000	103,000	2,970,200	559,900	307,700	3,159,400	256,500	67
70	Bowery Bank	250,000	708,800	3,154,000	350,000	346,000	3,291,000		70
71	New York County National Bank	200,000	375,800	3,083,400	765,100	382,300	4,030,700	50,000	71
72	German-American Bank	750,000	350,100	3,541,600	598,500	251,000	3,472,000		72
74	Chase National Bank	1,000,000	1,994,600	38,249,000	8,662,300	3,986,300	47,090,100	800,000	74
76	Fifth Avenue Bank	100,000	1,287,000	8,597,300	2,286,500	304,400	9,863,800		76
77	German Exchange Bank	200,000	614,700	2,545,400	188,500	730,500	3,040,100		77
78	Germania Bank	200,000	802,000	3,077,300	402,100	550,500	4,405,800		78
80	Lincoln National Bank	300,000	890,100	9.555.900	1,466,500	1,269,700	10,877,300	246.700	80
81	Garfield National Bank	200,000	1,073,500	6,094,500	1,333,500	308,600	6,808,900	48.600	81
82	Fifth National Bank	200,000	359,100	2,084,400	508,800	149.000	2,212,100	170,200	82
83	Bank of the Metropolis	300,000	963,600	6,631,300	1,137,500	541,900	7,121,400		83
84	West Side Bank	200,000	409,100	2,516,000	417,000	355,000	2,921,000		84
85	Seaboard National Bank	500,000	748,700	11,424,000	1,762,000	2,099,000	14,189,000	494,000	85
87	Western National Bank	2,100,000	1,696,400	36,868,000	9,723,500	2,565,700	45.403,100	50,000	87
88	First National Bank, Brooklyn	300,000	528,300	4,001,000	657,000	952,000	4,724,000	75.000	88
91	Liberty National Bank	500,000	535,800	6,049,400	1.510,100	375,000	6,372,100	498,000	91
92	N. Y. Produce Exchange Bank	1,000,000	374,900	3,750,500	491,600	383,300	3,463,400		92
93	Bank of New Amsterdam	250,000	411,000	5,022,300	363,200	1,146,900	5,910,800		93
94	Astor National Bank	350,000	231,800	3.971,000	753,000	281,000	4,227,000	300,000	94
95	Hide and Leather National Bank	500,000	302,100	3,464,500	421,300	79,300	1,771,700	380,000	95
	TOTAL, NATIONAL BANKS	$62,800,000	$75,730,900						
	" STATE BANKS	11,422,700	15,304,100						
	Totals	74,222,700	91,035,000	808,046,200	177,029,800	75,448,500	897,409,400	27,411,300	
				Increase	Increase	Decrease	Increase	Increase	
				4,348,300	443.400	730,600	2,926,900	765,600	

*As per official reports.—
44 National Banks, June 29th, 1900.
19 State Banks, May 31st, 1900.
Reserve $1,018,925 Decrease.
†As on July 3d.

Clearings for Week ending	August 11th, 1900,	$667,786,104.89
" " "	August 4th, 1900,	782,061,788.89
Balances " "	August 11th, 1900,	41,729,667.72
" " "	August 4th, 1900,	55.383,359.08
Clearings this Day	August 11th, 1900,	111,413,668.79
Balances "	August 11th, 1900,	6,644,980.60

FIG. 173.

NEW YORK CLEARING HOUSE.

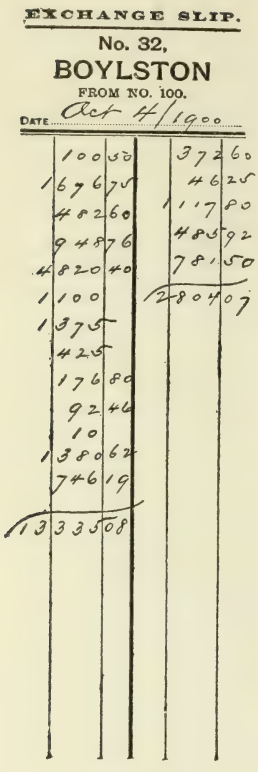
Weekly Statement of Non-Member Banks, for Week ending Saturday, August 11, 1900.

BANKS.	*CAPITAL.	*NET PROFITS.	AVERAGE AMOUNT OF LOANS AND DISCOUNTS AND INVESTMENTS.	AVERAGE AMOUNT OF SPECIE.	AVERAGE AMOUNT OF LEGAL TENDER NOTES AND BANK NOTES	AVERAGE AMOUNT OF DEPOSIT WITH CLEARING HOUSE AGENT.	Average Amount on Deposit with other New York City and Brooklyn Banks and Trust Co's.	AVERAGE AMOUNT OF NET DEPOSITS.	AVERAGE AMOUNT OF CIRCULATION.
NEW YORK CITY.									
BOROUGH OF MANHATTAN.									
Colonial Bank	$100,000	$113,500	$1,224,800	$19,500	$100,900	$329,700		$1,485,400	
Columbia Bank	300,000	212,700	1,811,000	100,000	78,000	141,000	$367,000	2,134,000	
Eleventh Ward Bank	100,000	126,500	1,052,700	63,300	51,800	360,000		1,389,900	
Fourteenth Street Bank	100,000	58,000	1,211,800	52,700	48,700	304,000		1,517,500	
Gansevoort Bank	200,000	16,400	683,100	4,900	46,500	25,600	70,500	710,000	
Hamilton Bank	200,000	109,100	1,398,000	60,500	90,000	226,000		1,637,000	
Mount Morris Bank	250,000	51,800	1,758,600	101,000	126,900	238,100	51,000	2,356,300	
Mutual Bank	200,000	134,100	1,258,500	30,900	114,200	199,600	39,400	1,342,800	
Nineteenth Ward Bank	100,000	46,600	1,194,200	15,900	116,400	198,800	1,300	1,580,500	
Plaza Bank	100,000	162,600	1,845,000	85,000	105,000	175,000		1,860,000	
Riverside Bank	100,000	126,600	958,800	9,800	65,300	63,300		930,600	
State Bank	100,000	199,400	2,944,000	198,000	99,000	105,000	111,000	3,246,000	
Twelfth Ward Bank	200,000	52,500	1,124,100	18,600	185,100	117,800	93,200	1,601,200	
Twenty-third Ward Bank	100,000	67,100	881,100	47,500	114,800	90,700	135,700	1,155,200	
Union Square Bank	200,000	337,700	2,168,400	50,300	818,900	249,500		2,485,600	
Yorkville Bank	100,000	188,100	1,565,300	90,500	122,400	122,300	82,500	1,694,500	
Washington Bank	100,000	25,000	104,400	3,320	23,900	80,800	47,700	195,700	
BOROUGH OF BROOKLYN.									
Bedford Bank	150,000	121,400	1,100,700	13,200	89,100	190,100	100,000	1,377,200	
Broadway Bank	100,000	164,000	1,364,700	9,700	114,800	277,800	500	1,553,300	
Brooklyn Bank	300,000	168,800	1,326,900	84,500	47,900	160,400	84,900	1,406,000	
Eighth Ward Bank	100,000	43,300	302,600	15,000	25,400	42,200	30,500	295,300	
Fifth Avenue Bank	100,000	153,600	664,200	31,700	23,700	44,500	18,800	617,700	
Kings County Bank	150,000	61,600	736,200	36,200	25,600	70,300	71,000	780,100	
Manufacturers' National Bank	252,000	492,000	2,443,500	208,600	198,300	627,700		3,160,300	$448,700
Mechanics' Bank	500,000	405,600	2,777,800	193,200	186,800	174,100		2,977,200	
Mechanics' and Traders' Bank	100,000	203,600	905,600	12,100	69,200	77,800	107,200	940,800	
Nassau National Bank	300,000	693,800	3,700,000	220,000	330,000	920,000	28,000	4,408,000	66,000
National City Bank	300,000	592,700	2,531,000	142,000	274,000	388,000	161,000	2,987,000	202,080
North Side Bank	100,000	120,900	679,700	14,000	58,300	66,900	887,500	1,491,400	
People's Bank	100,000	130,200	866,100	37,000	46,100	49,200	131,600	970,700	
Schermerhorn Bank	100,000	64,400	558,300	15,900	28,700	59,400	55,600	550,600	
Seventeenth Ward Bank	100,000	75,100	450,900	8,400	36,100	55,300	63,700	435,200	
Sprague National Bank	200,000	233,000	1,100,300	104,100	10,000	218,200	8,500	987,000	150,000
Twenty-sixth Ward Bank	100,000	54,900	484,300	8,200	33,600	79,000	2,800	517,200	
Union Bank	100,000	58,000	617,200	26,800	48,000	64,900	87,600	659,400	
Wallabout Bank	100,000	45,700	643,900	42,600	16,600	65,200	113,400	737,600	
Merchants Bank	100,000	12,300	429,000	4,800	48,900	37,900		419,800	
BOROUGH OF RICHMOND.									
Bank of Staten Island	25,000	57,200	569,100	15,000	20,500	73,500	52,000	663,800	
First National Bank, Staten Island	100,000	81,800	661,500	37,400	20,000	201,700		752,400	20,600
OTHER CITIES.									
First National Bank, Jersey City	400,000	817,300	4,523,800	204,800	287,000	557,300	1,362,600	6,058,600	129,400
Hudson Co. Nat. Bank, Jersey City	250,000	546,600	1,947,900	87,600	77,300	256,800	81,400	1,723,200	99,000
Second Nat'l Bank, Jersey City	250,000	363,200	1,261,900	58,100	21,900	129,600		964,300	58,500
Third Nat'l Bank, Jersey City	200,000	223,400	961,600	30,300	50,200	136,000	34,000	915,500	200,000
First National Bank, Hoboken	110,000	457,500	1,982,200	118,600	22,000	137,700	189,700	1,898,800	97,000
Second National Bank, Hoboken	125,000	109,400	758,500	63,100	45,800	68,600	25,300	856,500	50,000
TOTAL NATIONAL BANKS	$2,487,000	4,602,100							
" STATE BANKS	4,875,000	3,866,700							
Totals	7,362,000	$8,468,800	59,591,200	2,884,600	3,843,600	8,277,300	4,634,300	68,396,400	1,213,300
			Increase	Increase	Increase	Increase	Increase	Increase	Increase
			78,600	70,900	228,800	230,200	337,700	766,300	4,700

*As per official reports.—
1: National Banks, June 29th, 1900.
30 State Banks, May 31st, 1900.

$676,025 Increase, Reserve,

FIG. 174.


EXCHANGE SLIP.

No. 32,

BOYLSTON

FROM NO. 100.

DATE Oct 4/1900

100 50	372 60
1676 75	46 25
482 60	1178 80
948 76	485 92
4820 40	781 50
1100	2804 07
1375	
425	
176 80	
92 46	
10	
1380 62	
746 19	
13335 08	

FIG. 175.

the stamping of all the checks or other items passing through the exchanges with the bank number as shown before.

The methods in use in various parts of the country are naturally similar, yet in many instances there are slight differences. I will endeavor to illustrate the methods in use in several of the principal cities, also some smaller ones, for comparison.

METHODS OF THE BOSTON CLEARING-HOUSE.

Beginning with Boston, which was the second city to adopt the clearing-house, we find that they have naturally put in use many of the same forms seen in New York. Thus Fig. 175 shows the exchange slip.

Fig. 176 shows the settling clerk's statement.

In the settling clerk's statement there will be seen two more columns than on the New York sheet—first debit and additions. The first debit column is used in which to write the totals of the slips at the close of the day. On the following morning, up to shortly before the hour for going to the clearing-house, many items come into the bank, through the mail and otherwise, that are to be collected through the clearing-house; these are listed separately and their total put in the column named additions. The figures in these two columns are then added together

No. 33. BLACKSTONE NATIONAL BANK.

Settling Clerk's Statement. Oct 4/1900

No.	BANKS.	FIRST DEBIT.	ADDITIONS.	TOTAL DEBIT.	BANKS CR.	No.
1	Massachusetts National.	11 348 75	5 876 20	17 224 95	22 756 81	1
2	National Union.	18 956 25	9 653 81	28 612 06	30 418 20	2
3	Old Boston National.	26 752 80	8 437 80	35 190 60	29 658 92	3
4	State National.	28 648 19	11 385 40	40 033 59	42 756 80	4
5	New England National.	33 449 20	12 738 67	46 187 87	40 325 96	5
10	Washington National.	29 647 98	9 654 81	39 302 79	31 406 28	10
12	Atlantic National.	31 481 20	12 480 68	43 961 88	44 290 70	12
	33 other Banks	624 656 81	281 048 57	905 705 38	914 648 96	
	FOOTINGS.	827 058 18	352 177 49	1179 260 67	1161 342 63	
			BALANCE.		17 918 04	
					1179 260 67	

FIG. 176.

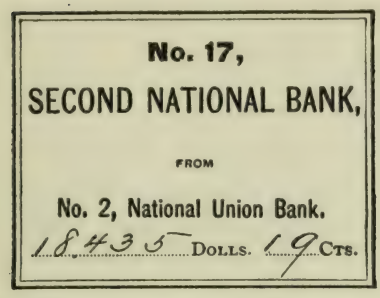

No. 17,
SECOND NATIONAL BANK,
FROM
No. 2, National Union Bank.
18435 DOLLS. 19 CTS.

FIG. 177.—CHECK TICKET BOSTON CLEARING-HOUSE.

and the totals carried into the total debit column. This subdividing of the debits may be considered an advantage in facilitating the tracing of any items.

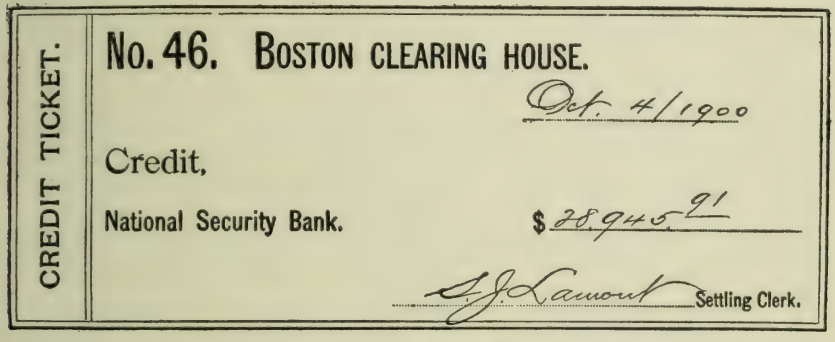

CREDIT TICKET.
No. 46. BOSTON CLEARING HOUSE.
Oct. 4/1900
Credit,
National Security Bank. $ 28.945.91
S. J. Lamont Settling Clerk.

FIG. 178.—CREDIT TICKET BOSTON CLEARING-HOUSE.

Figs. 177, 178 and 179 show respectively the small or check ticket, the credit ticket and the debit or balance ticket.

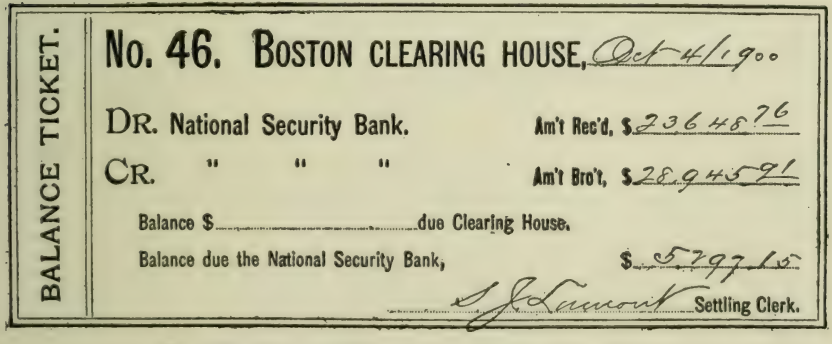

BALANCE TICKET.
No. 46. BOSTON CLEARING HOUSE, Oct 4/1900
DR. National Security Bank. Am't Rec'd, $ 23648.76
CR. " " " Am't Bro't, $ 28.945.91
Balance $ ..... due Clearing House.
Balance due the National Security Bank, $ 5.797.15
S. J. Lamont Settling Clerk.

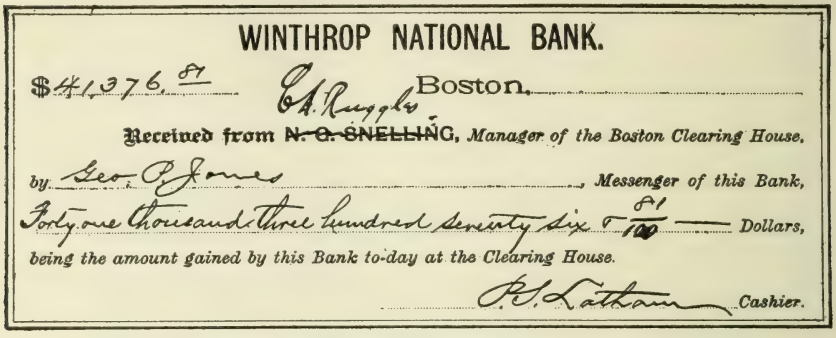
FIG. 179.—BALANCE TICKET BOSTON CLEARING-HOUSE.

Fig. 180 shows the form for the receipt given to the clearing-house for credit balances. As will be seen this is signed by the Cash-

ier and taken by the messenger to the clearing-house at the proper hour for settling, generally one P. M.

In New York this receipt is in a book and is signed by the clerk receiving the money for the bank.

Fig. 181 is a form for a transfer check and is used, as its face


WINTHROP NATIONAL BANK.

$41376.81 C.A. Ruggles Boston,

Received from ~~N. C. SNELLING~~, Manager of the Boston Clearing House.

by Geo. P. Jones, Messenger of this Bank,

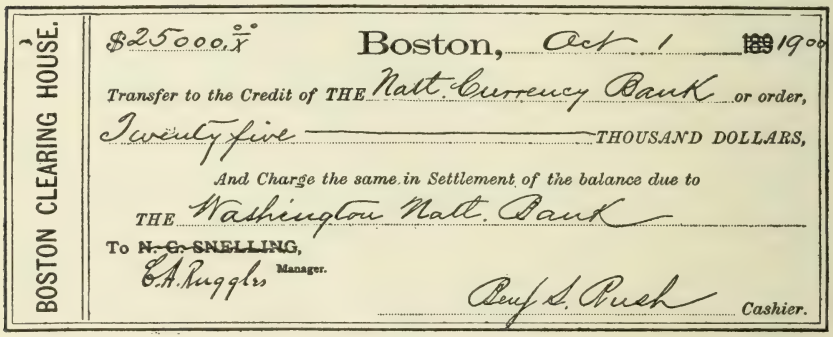
Forty one thousand three hundred seventy six 81/100 Dollars,

being the amount gained by this Bank to-day at the Clearing House.

P. L. Latham Cashier.

FIG. 180.—RECEIPT FOR CREDIT BALANCES BOSTON CLEARING-HOUSE.

shows, in transferring any funds due the bank from the clearing-house to some other bank. This is only used between the local banks, and is a convenience. In Philadelphia a due bill, as it is


BOSTON CLEARING HOUSE.

$25000.00 Boston, Oct 1 1900

Transfer to the Credit of THE Natl. Currency Bank or order,

Twenty five THOUSAND DOLLARS,

And Charge the same in Settlement of the balance due to

THE Washington Natl. Bank

To ~~N. C. SNELLING~~,

C.A. Ruggles Manager.

Benj. S. Rush Cashier.

FIG. 181.—TRANSFER CHECK.

called, is used for the same purpose. The back of this transfer draft or check has ruled spaces for further transfers, as follows:

Transfer to.....or order,

making it in reality a negotiable instrument between the banks.

Fig. 182 shows a ticket used when making payments to the clearing-house. In New York this statement of the character of the money paid is made up on the back of the receipt which the Manager of the clearing-house signs upon receiving the money, and in

this case remains in the possession of the bank paying the money. The ticket here shown is given to the clearing-house with the money.

Fig. 183 shows the clearing-house proof sheet, which is almost identical with that in use in New York.

The settling clerk's statement and clearing-house proof have been much abbreviated.

Boston, Oct 4/1900

BALANCE PAID CLEARING HOUSE THIS DAY BY

CENTRAL NATIONAL BANK.

Be sure and itemize your balance. Have this properly strapped and distinctly marked.

Change			65
Bills		510	
Legal Tenders .	2	500	
U. S. Gold Cfts. .	3	000	
Coin	1	000	
Gold Certificates .	10	000	
Orders	10	000	
Amount	29	010	65

FIG. 182.—SETTLEMENT TICKET.

THE PHILADELPHIA CLEARING-HOUSE.

The chief difference in methods between those in use in Philadelphia and in other cities is that here they have two clearings daily, one at 8.30 A. M., which relates to the checks and items at the close of the previous day, and one at 11.30 A. M., called the runners' exchange, which takes the items which have come to the bank that morning, by mail or otherwise, and collection items due that day. There is, however, only one settlement, and that is between 11 A. M. and 12 M. for the debtor banks, and at 12.30 P. M. for the creditor banks, except on Saturday, when the runners' exchange is made at

Boston Clearing House Proof. Oct 4/1900

No.	BANKS.	BALANCES. Due to Clearing House.	EXCHANGES. Banks, Dr.	Banks, Cr.	BALANCES. Due to the Banks.	No.
1	Massachusetts National.	28715 35	6485481 19	6197645 81		1
2	National Union.		5398144 26	5418760 20	206194	2
3	Old Boston National.	102636 18	980696 48	970437 80		3
4	State National.	122897	770598 62	758372 65		4
5	New England National.		1385641 17	1401871 50	16230 33	5
10	Washington National.		1696348 20	1711648 76	15300 56	10
12	Atlantic National.		1285640 76	1301472 18	15831 42	12
	33 other Banks	26575892	28342263 04	28345034 52	2675 30 70	
	AGGREGATES.	31696492	35650481 72	35650481 72	31696492	

FIG. 183.

11 A. M., and the settlements are made an hour earlier than on other days.

Fig. 184 shows the form of the settling clerk's sheet, and Fig. 185 the form for the runners' exchange sheet used in Philadelphia, both abbreviated.

Fig. 186 shows the Manager's settlement sheet, or as it is called in New York and Boston, proof sheet, also abbreviated.

It will be noticed that in these sheets the names of the banks are

PHILADELPHIA CLEARING HOUSE.

No. 39. The Fourth Street National Bank Settlement, Oct. 6 1900.

Debtor Banks.	Total Debits.	Amount Received.	No.	BANKS.	Amount Sent.	Total Credits.	Creditor Banks.
	907	41418 31	1	PHILADELPHIA,	46726 14	918	11
	648	17872 56	2	NORTH AMERICA,	19432 81	659	11
4	716	30418 32	3	FARMERS & MECHANICS	26875 02	717	
9	490	8431 19	5	MECHANICS,	9762 55	481	
9	327	8876 51	6	NORTHERN LIBERTIES,	6914 31	318	
	448	6592 18	7	SOUTHWARK,	7281 15	452	4
6	547	9431 72	8	KENSINGTON,	8438 96	541	
3	849	10760 50	9	PENN,	13762 56	846	
	861	23848 30	10	WESTERN,	25914 72	875	17
8	776	12941 16	11	MANUFACTURERS,	11314 44	758	
	945	35436 69	13	GIRARD,	39645 79	962	17
		51869 48		23 other banks	64482 88		
		724732 20		AGGREGATE,	860892 59		
		136160 39		BALANCE,			

FIG. 184.—SETTLING CLERK'S SHEET.

in the center, the debit and credit items being arranged on the left and right-hand side respectively. This method, it is claimed, helps to prevent errors.

In Philadelphia, as in New York and Boston, the same character

Philadelphia Clearing House,

RUNNERS, EXCHANGE.

Settlement, Oct 6 1900

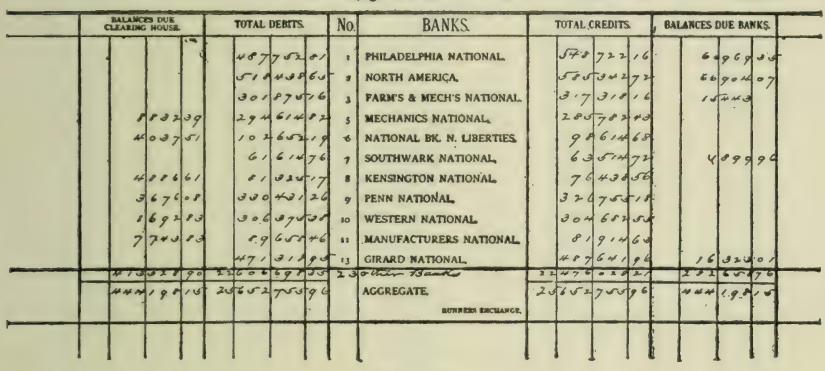
AMOUNT RECEIVED Dr.	No.	BANKS.	AMOUNT DELIVERED Cr.
28 432 16	1	PHILADELPHIA,	25 67 872
12 762 58	2	NORTH AMERICA,	16 481 19
13 481 16	3	FARMERS & MECH.,	11 762 15
14 693 72	5	MECHANICS,	10 676 48
7 281 73	6	NOR. LIBERTIES,	9 348 75
6 438 27	7	SOUTHWARK,	9 496 23
9 648 19	8	KENSINGTON,	10 872 19
17 914 31	9	PENN,	18 756 28
18 431 72	10	WESTERN,	20 896 49
20 348 34	11	MANUFACTURERS,	19 326 35
24 918 13	13	GIRARD,	26 429 13
23 949 87	23	other banks	26 836 19
433 848 48		TOTAL,	447 159 15
13 310 67		BALANCE,	
447 159 15			

FIG. 185.

of exchange slips is used, and the same form of delivery or package clerk sheet is in use.

One thing may be noticed when examining the clearing-house sheets of most of our cities, and that is the absence of many bank numbers. These absent numbers formerly applied to banks which have gone out of business for one reason or another. When a bank ceases to exist its clearing-house number also ceases.

In this chapter upon the clearing-house I will show for comparison the principal forms in use in three cities of different size, Chicago, Minneapolis and Scranton, Pa. In the first two cities a room is used especially for the clearing-house business, but in the latter


PHILADELPHIA CLEARING HOUSE.

Manager's Settlement, Oct 6 1900.

BALANCES DUE CLEARING HOUSE.	TOTAL DEBITS.	No.	BANKS.	TOTAL CREDITS.	BALANCES DUE BANKS.
	4857782 01	1	PHILADELPHIA NATIONAL.	5728722 16	649696 85
	5114385 65	2	NORTH AMERICA.	5555392 72	66900 07
	3017746 76	3	FARM'S & MECH'S NATIONAL.	3173116	15443
8132 39	2946142	5	MECHANICS NATIONAL.	2805792 43	
40037 51	1026521 91	6	NATIONAL BK. N. LIBERTIES.	98 6144 68	
	616476	7	SOUTHWARK NATIONAL.	63 5442 72	4099 96
4006 61	81 9247 17	8	KENSINGTON NATIONAL.	76 4386 56	
3676 05	3004201 26	9	PENN NATIONAL.	32 4765 18	
1692 13	3067746	10	WESTERN NATIONAL.	3044 6715	
7743 53	69 6546 46	11	MANUFACTURERS NATIONAL.	81 9146	
	4713019 95	13	GIRARD NATIONAL.	4076419 6	16 3203 07
61 [illegible] 90	[illegible] 69 [illegible] 95	23	[illegible] Banks	[illegible] 2 [illegible] 21	2221 [illegible] 76
44441 98 15	2565279596		AGGREGATE.	2565279596	44419 85

BONDERS EXCHANGE.

FIG. 186.

place one of the banks is designated to act, and this selection lasts for two years.

While in the first two cities the payments of the balances are made by and to the clearing-house, in the latter city these are made between the banks direct.

THE CHICAGO CLEARING-HOUSE.

In Chicago it is the custom to have the exchange slips made in long sheets, $9\frac{5}{8}$ inches wide, containing the names of six banks; the sheet being perforated lengthwise between each two banks enables them to be torn apart easily. The object of this is the saving of time. This sheet is made just the proper width for the arithmometer, and when used is placed in that machine in connection with an unperforated sheet and carbon paper. By filling out the sheet with the machine an actual copy is also made at the same time on the unperforated sheet. This copy is retained in the bank.

The slips when separated at the perforations are, as elsewhere,

sent to the clearing-house with the checks. Fig. 187 shows such sheet of slips.

BANKERS NAT. BANK ON MET'POLITAN NAT. BANK.	BANKERS NAT. BANK ON HIBERNIAN B'KG ASS'N.	BANKERS NAT. BANK ON BANK OF MONTREAL.	BANKERS NAT. BANK ON UNION TRUST COMPANY.	BANKERS NAT. BANK ON CHICAGO NAT. BANK.
$129.62	$1.95	$28.06	$4.50	$20.59
7.00	1.50	70.95	11.80	2.25
27.00	12.69	6.00	40.00	65.50
100.00	16.63	13.71	1.52	15.00
51.00	35.73	124.30	62.62	78.72
30.00	20.00	72.14	5.64	6.76
168.00	19.31	32.27	11.85	250.25
248.26	1.32	17.28	2.00	3.63
194.90	9.90	17.07	201.26	40.25
42.00	8.30	8.50	249.96	46.10
264.80	1.88	16.93	509.66	114.77
48.55	1.68	43.24	200.00	100.00
24 55	150.00	280.50	100.00	4.10
65.36	300.00	1,103.25	41.71	63.83
23.96	118.95	47.64	285.02	100.00
65.14	55.20	175.40	12.92	6.83
10.21	11.80	509.42	147.05	400.00
46.53	468.38	14.76	24.88	275.00
12.94	2,952.45	204.57	26.58	100.00
33.13	340.00	138.87	31.83	63.27
112.01	560.00	4.00	91.00	89.91
45.94	5.88	200.00	53.62	14.11
112.08	300.00	3.35	272.73	40.00
1,424.40	300.00	36.37	.79	16.55
11.60	2,000.00	4.40	9.66	7.18
7.27	1,000.00	46.85	26.35	15.00
81.00	250.00	18.64	247.67	105.45
107.77	50.00	2,770.67	45.00	110.00
40.00	8.75	88.50	50.45	304.46
591.64	17.45	129.62	19.57	43.36
220.11	5.00	100.00	117.75	1.75
691.63	38.50	51.00	43.00	570.62
144.80	78.00	157.00	247.67	81.25
344.95	.05	600.00	117.75	
	.75			
$5,528.15	$9,142.05	$7,135.26	$3,313.81	$3,156.49

FIG. 187.—SHEET OF CLEARING-HOUSE SLIPS.

Fig. 188 shows the settling clerk's statement as used in Chicago.

Figs. 189 and 190 show the form of credit ticket and balance ticket respectively. The latter being printed in red ink on yellow paper.

Fig. 191 is an order on the clearing-house from a creditor bank authorizing them to pay their messenger the amount due them in the settlement of the day's exchanges.

Fig. 192 is a form of draft or order on the clearing-house, and is used to transfer funds to some other bank, similar to the transfer check used in Boston.

Figs. 193 and 194 go together. They have a perforated line between them to permit of easy separation. They are used to pay errors in the exchanges of large amounts, also to redeem large checks

No. 24

CHICAGO CLEARING HOUSE.

BANKERS' NATIONAL BANK. SETTLING CLERK'S STATEMENT. Oct 3 1900

Thayer & Jackson Stationery Co., Chicago

Debit Balance	No.	BANKS	Credit Balance	BANKS DEBIT	BANKS CREDIT	No.
244,800	1	First National Bank,		41,958,785	17,476,269	1
	2	America National Bank,	20,100	5,020,102	703,826	2
	3	Merchants' National Bank,	7,600	3,519,333	4,286,892	3
	4	N.-Western National Bank,	95,700	10,205,706	10,589,337	4
72,100	5	Commercial Nat. Bank,		9,612,822	7,401,596	5
	6	Union National Bank,	33,900	1,483,605	4,875,874	6
78,700	7	Mer. Loan and Trust Co.,		10,356,948	2,486,253	7
33,600	8	Corn Exchange Nat. Bank,		9,582,485	6,217,922	8
	10	Metropolitan Nat. Bank,	20,900	7,132,993	9,240,558	10
	11	Hibernian Banking Ass'n,	5,100	270,020	787,338	11
	13	Bank of Montreal,	14,300	778,680	2,210,304	13
3,400	15	Union Trust Co.,		818,778	476,746	15
	18	Chicago National Bank,	139,300	7,161,126	1,646,773	18
	19	Continental National Bank,	5,000	6,903,170	703,882	19
	21	Fort Dearborn Nat. Bank,	2,000	762,746	968,432	21
12,500	23	Nat. Bank of the Republic		3,305,232	2,054,679	23
	24	Bankers' National Bank,			1,540,877	24
16,200	25	N. Trust		2,021,895	407,127	25
14,300	26	Ill. Trust		1,952,222	516,751	26
	27					27
	28					28
Total Clearings:		Footings,		107,215,848	95,615,036	
		Balance,			1,160,812	
		Proof,			107,215,848	

FIG. 188.

CHICAGO CLEARING HOUSE.

BANK No. 1 Chicago, Oct 3 ~~189~~ 1900

CREDIT

FIRST NATIONAL BANK, - - $ 2,968,413,20

Amount of exchanges to Clearing House this day per Messenger.

S. P. Lansing
TELLER.

FIG. 189.—CREDIT TICKET.

Balance Ticket

No. 1 **Chicago Clearing House** Oct 3. 1900

Amount Received, $	2	6 8 5	7 9 6	0 6
Amount Brought, $	2	9 6 8	4 1 3	2 0
Debit, $					Balance Due Clearing House.
Credit Balance Due FIRST NATIONAL BANK, $		2 8 2	6 1 7	1 4

13. F. Zane Settling Clerk.

FIG. 190.—BALANCE TICKET.

C. H. Bank No. 24

Bankers Natl. Bank Chicago, Oct 3 ~~189~~ 1900

W. D. C. STREET, Manager.

NOT NEGOTIABLE.

CHICAGO CLEARING HOUSE.

Pay George S. Jackson our authorized messenger,

when accompanied by Geo. A. Allen $116008.12/100

One hundred sixteen thousand and eight

and 12/100 DOLLARS,

Being the Balance due us from the Associated Banks in to day's Exchanges.
Orders (if any) given to other banks this day will be received in part payment.

J. P. King Cashier.

FIG. 191.—ORDER ON CLEARING-HOUSE.

BANK NO. 14

W. D. C. STREET, Manager.

Chicago, Oct 3 - 1900

CHICAGO CLEARING HOUSE,

Pay Natl. Reserve Bank or order, $50.000.00/x

Fifty thousand Dollars,

and deduct from balance due us this day.

L. S. Clark CASHIER.

FIG. 192.—CLEARING-HOUSE ORDER OR DRAFT.

11-23-3

CREDIT CLEARING HOUSE CHECKS.

PAYABLE TO #22 Natl. Reserve Bank

CHECKS.			
		20	Error footing
	100		missent
	65	98	"
	183	55	"
	12	50	"
	300		"
	62	46	"
ERRORS.			
	724	69	

$724.69

FIG. 193.

CHICAGO, Oct 3 1900

THE BANKERS NATIONAL BANK WILL PAY THROUGH THE CLEARING HOUSE, FOR THIS MEMORANDUM,

To Natl Reserve Bank $724.69

Seven hundred twenty four 69/100 DOLLARS,

J. L. Clancy CLEARING HOUSE CLERK. S. P. Smith CASHIER.

FIG. 194.—CLEARING-HOUSE CHECK.

that may be returned for any reason. Fig. 193 is printed in red ink, and is retained by the teller as a voucher, and goes from him to the general bookkeeper. Fig. 194 is an order on the clearing-house and

THE BANKERS NATIONAL BANK,
CHICAGO.

OUT CLEARINGS. Oct 3 1900

A to K Teller	70	943	46
L to Z Teller	1	902	74
Note Teller	513	740	46
Paying Teller		40	166
P. M. Checks	551	792	77
Differences Paid			203
	1088	782	62
Differences Received		92	85 78
	1078	997	34
Less Deducts		6	838 86
	1072	158	48
Clearings Sheet	1072	158	48
Short or Over			

Particulars of Difference

J. G. Jones CLEARING HOUSE CLERK.

FIG. 195.

6-1M.

THE BANKERS NATIONAL BANK,
CHICAGO.

IN CLEARINGS. Oct 3 1900

General Ledger	100	900	73
Country Ledgers: National	172	928	12
Country Ledgers: A—L	74	745	51
Country Ledgers: M—Z	56	600	53
City Ledgers: A—G	37	844	44
City Ledgers: H—O	63	633	78
City Ledgers: P—Z	103	864	16
Payer	347	634	68
Differences Received		72	03
	958	173	78
Differences Paid	2	023	42
	956	150	36
Clearings Sheet	956	150	36

J. G. Jones CLEARING HOUSE CLERK.

FIG. 196.

is the portion given in settlement. This is returned to the bank the next day through the clearing-house.

Figs. 195 and 196 are the obverse and reverse of one slip. They are a statement in aggregate of the out clearings, or checks going to the clearing-house, and the in clearings, or checks received from the clearing-house, respectively. After the clearing has been completed these statements are made for the officers of the bank, for their reference.

Another slip is used for the benefit of the officers and is shown in Fig. 197. This is filled up at the close of the day and shows in the

THE BANKERS NATIONAL BANK,
CHICAGO, ILL.

CLEARING HOUSE CHECKS.

Oct 10 1900

BLAKELY & ROGERS, Printers.

Paying Teller,		322	17
Receiving Teller A to K,	18	462	93
" " L to Z,	7	387	14
Note Teller,	298	765	90.
TOTAL,	324	938	14

Signed, J. P. Smith
Clearing House Clerk.

FIG. 197.

aggregate the checks that have come in during that afternoon that will be sent to the clearing-house the next morning. The checks that come in through the mail in the morning are added.

One peculiarity of the Chicago method is the keeping of two books, one called in clearings, and representing in aggregates the checks that have come in from the clearing-house, after they have been distributed to the various departments, general and individual. Fig. 196 is compiled from this statement. Fig. 198 shows a page from this book.

Another book is kept called out clearings, representing the checks on other banks going to the clearing-house, showing the checks at the close of the day or P. M. checks, and the checks received by the

IN CLEARINGS.

DATE, Oct 3 190 0.

	BANKS	GENERAL	COUNTRY				A TO D	E TO K	L TO R	S TO Z	KASPAR & KAESE.	J. V. P. Co.	ADAMS EX. Co.	H. L. TURNER & Co	HIGHLAND PARK	PAYNE		DIFFERENCES	
			NATIONAL A TO M	N TO Z AND ISD.	BANKERS. A TO I	BANKERS. J TO Z												RECEIVED	PAID
1	First National Bank	7767109	1900001	1490470	1765188	1277424	1173169	1075636	1587933	1150478	311496	193357	743680	79605	101624	6025103		01	
2	America National Bank	13000	62759	285535	178	7	127	601667	705	78303			10454		1668	1101170			
3	Merchants National Bank	58	1400500	469877	3078	300001	437076	77000	1100	300070	59793	706767		29424		92624			30
4	Northwestern Nat. Bank.	63469	50003	300708	90063	800	59	73	9911	55					100	26423			
5	Commercial National Bank	11075		3070	903106	303830	190037	13009	1500	2400	176328	42705	77660	17507	111100			104	
6	Union National Bank	1919770	9000884	80050	14	5703	978	763	10008				38619	20437	1909571				
7	Berkshire Loan and Trust Co	4686424	3466388	438	337113	1400087	1500	7380	20	3000	179381	50716	46624	95885		186977		10	
8	Corn Exchange Bank	1484778	4774783	3643988	7854869	4334829	2810547	3794405	2800725	3978859	102683	56818	93118	424447		6095659			
9	Metropolitan Nat. Bank	6567781	3547135	1791778	1565547	1054410	799473	1518889	1540073	1551163	190899	58209	530	1458	20			198	
10	Bankers Clearing Ass'n		1040900		1367	14	3770	1145426	760291	5014156	55468					4249743			
11	Bankers Clearing Ass'n		1040900		1367	14	3770	1145426	760291	5014156	55468					4249743			
12	Bank of Montreal	20000	851165		33017			1145630	303155	89135			46824	31056				999961	
13	Union Trust Co.	75	214411	307	4334820	1666552	1064824	4344921	770999	4147799	31524		19324	16787	10	1874		1010	
14	Chicago National Bank	4095561	1985616	785178	4496334	600	1799905	2117130	1907114	4742768	1444944	1748824	79556	9466		3048444			
15	Continental National Bank	1757436	8391424	1947337	1789978	6556443	7400424	3762437	4556760	3162791	206950	9467	8911	900		1854550			50
16	Ft Dearborn Nat. Bank		97081	40179	275994	1407743	208627	8614	6761140	914726	439480		16424	7766		6640			
17	National Bank Republic		1455485	3893858	7501624	2178894	7639791	3981424	2841415	1834479	387044	53316	10914	17553		3111724			301
18	Northern Trust Co.		426107	15775	3508559	1461147	1114499	4209425	2537465	1974848		80770	5424			3424			
19	Illinois Trust Co.	35	628834	4939	71000	9	4446		1085814	1306834									
20	Illinois Trust & Sav. Bank				990074	7006854	5000	4960697	1886074				17905						
		20900738	2458834	2075424	1765188	1276005	3784424	6363378	5717014	4669402	1470571	1179789	5828714	1417394	1463614	3124135		1403	2073424

FIG. 198.

bank in the following morning's mail, which are added to the clearing-house sheet.

Fig. 199 shows one of the pages of this book.

OUT CLEARINGS. Oct 3 1900

DIFFERENCES DEBIT	DIFFERENCES CREDIT		BANKS	CLEARINGS P. M.	CLEARINGS A. M.
	3897	1	First National,	3,336,211	1,987,185
		2	Nat. Bank of America,	1,090,103	502,102
		3	Merchants Nat. Bank,	573,277	351,933
		4	North-Western Nat. Bank	1,360,405	1,020,506
		5	Commercial Nat. Bank,	450,268	961,282
		6	Union Nat. Bank,	1,890,102	1,483,605
	9,13571	7	Mer. Loan & Trust Co.	1,685,621	1,035,948
	11060	8	Corn Exchange Bank,	370,953	958,285
11		10	Metropolitan Nat. Bank,	1,173,459	713,293
100		11	Hibernian Bank'g Ass'n,	139,170	270,020
		13	Bank of Montreal,	732,995	778,680
		15	Union Trust Co.	349,377	818,778
		18	Chicago National Bank,	371,111	716,126
92		19	Continental Nat. Bank,	1,657,726	690,170
		21	Ft. Dearborn Nat. Bank,	199,600	767,746
		23	Nat. Bank Republic,	1,067,483	330,532
		25	Northern Trust Co.	437,512	202,195
		26	Illinois Trust & Savings B'k	940,107	1,952,222
		27	PO	27,564	
		28	N Teller	68,386	
203	9,28528			55,179,226	10,215,848
			Checks as per Scratcher,	55,179,226	
			Total Checks per Scratcher		
			Difference Acct.		

FIG. 199.

Fig. 195 is compiled from this book.

The clearing-house proof-sheet is similar to that used elsewhere. It differs chiefly in the addition of the two columns styled settlement. These columns are used in which to note the debit or credit settlement made by the clearing-house.

In Chicago the drafts or orders on the clearing-house, such as

CLEARING HOUSE PROOF.

Chicago, Oct 3 1900.

SETTLEMENT	No.	BANKS	BALANCE DUE TO CLEARING HOUSE	BANKS DR.	BANKS CR.	BALANCE DUE TO BANKS	No.	SETTLEMENT
	1	First National Bank,		2685,990,06	2961,413,20	2736,714	1	
	2	America National Bank,	51,917,98	846,375,17	798,411,89		2	
	3	Merchants' National Bank,		614,948,80	687,026,42	132,023,62	3	
	4	N.-Western Nat. Bank,		758,011,96	788,489,28	30,477,32	4	
	5	Commercial Nat. Bank,	33,533,44	902,977,63	869,344,19		5	
	6	Union National Bank,		591,462,19	634,429,81	34,967,62	6	
	7	Mer. Loan & Trust Co.,	21,331,74	757,640,30	730,308,56		7	
	12	other Banks	792,318,65	1,470,246,603	1,444,731,319	50,716,561		
			900,095,51	7,186,739,114	7,186,739,114	900,095,51		

FIG. 200.

shown in Fig. 192, are much in use, and when a settlement of a balance is made by the clearing-house these drafts are, of course, considered and they are noted in the settlement column, thus keeping a record of the character of the settlement. Fig. 200 shows a clearing-house proof-sheet in abbreviated form.

THE MINNEAPOLIS CLEARING-HOUSE.

Minneapolis being a smaller city than those before mentioned, the method of clearing is naturally more simple. Both in Minneapolis and Chicago the package clerk's receipt is used, and this being

No. 10

MINNEAPOLIS CLEARING HOUSE

From First Nat. Bank

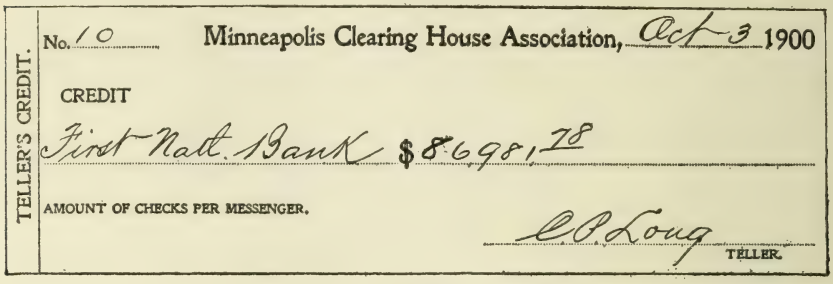
Settling Clerk's Statement Oct 3 1900

NO.	BANKS	AMOUNTS	RECEIPT	
1	Northwestern Nat'l Bank,	1279614	1049835	1
4	Security Bank of Minn.,	143468	99332	4
6	Hennepin Co. Sav. B'k,	104619	83918	6
10	First National Bank,			10
13	Nicollet National Bank,	124439	96431	13
14	Nat'l Bank of Commerce,	70492	93493	14
19	Flour City National Bank,	96839	136939	19
20	Swedish Amer. Nat'l Bank,	88616	98135	20
21	Metropolitan Bank,	113891	84655	21
	Footings,	869878	798174	
	Balance,		71637	
	Proof,		869878	

FIG. 201.

identical with that used in New York, a description of it is unnecessary.

In Fig. 201 is shown the settling clerk's statement, which, as is seen, is much simpler than any before shown.


TELLER'S CREDIT.

No. 10 Minneapolis Clearing House Association, Oct 3 1900

CREDIT

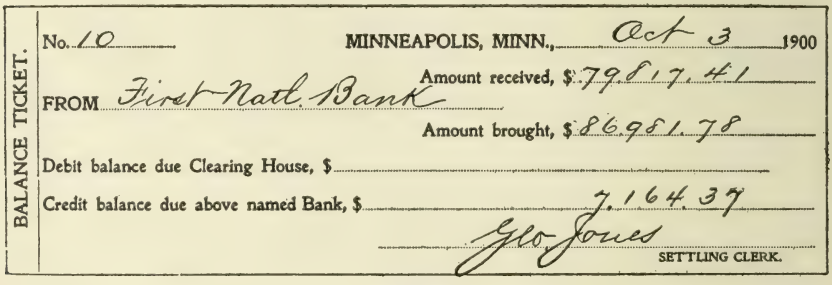
First Natl. Bank $86981.78

AMOUNT OF CHECKS PER MESSENGER.

C.P. Long TELLER.

FIG. 202.

Fig. 202 shows the credit ticket, or teller's ticket as it is called in this city. This is made out and signed by the teller of the bank and given to the messenger, who deposits it with the Manager on entering the clearing-house.


BALANCE TICKET.

No. 10 MINNEAPOLIS, MINN., Oct 3 1900

Amount received, $79817.41

FROM First Natl Bank

Amount brought, $86981.78

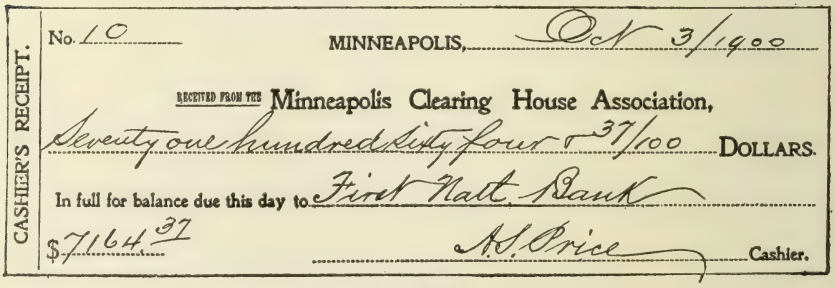
Debit balance due Clearing House, $

Credit balance due above named Bank, $ 7164.37

Glo Jones SETTLING CLERK.

FIG. 203.

Fig. 203 is the balance ticket used. This is similar to the same in use in other cities, and is made up by the settling clerk after the exchanges have been made, and is given to the Manager.


CASHIER'S RECEIPT.

No. 10 MINNEAPOLIS, Oct 3/1900

RECEIVED FROM THE Minneapolis Clearing House Association,

Seventy one hundred sixty four 37/100 DOLLARS.

In full for balance due this day to First Natl. Bank

$7164 37 A.S. Price Cashier.

FIG. 204.

Fig. 204 is the form of receipt given by the Cashier of a creditor bank to the Manager upon receiving the funds in settlement.

Fig. 205 is the form for the receipt given by the Manager to a debtor bank upon payment of the balance due.

Fig. 206 shows the Minneapolis clearing-house proof-sheet, which

MANAGER'S RECEIPT.

No. 20 Minneapolis Clearing House, Oct 3/1900

Received from Swedish Am. Bank $6212.94

Sixty two hundred twelve 94/100 DOLLARS.

In full for balance due this day to Minneapolis Clearing House Association.

W L Smith Manager.

FIG. 205.

Oct 3/1900

No.	BANKS	BANKS DUE C. H.	BANKS DR.	BANKS CR.	BAL. DUE BANKS
1	NORTHWESTERN NATIONAL BANK		65 438 72	70 381 14	4 942 42
4	SECURITY BANK	13 947 53	83 328 75	69 381 22	
6	HENNEPIN COUNTY SAVINGS BANK		40 515 81	56 282 17	7 766 36
10	FIRST NATIONAL BANK		79 817 41	86 981 78	7 164 37
13	NICOLLET NATIONAL BANK	10 576 09	59 318 40	48 722 31	
14	NATIONAL BANK OF COMMERCE		38 609 46	41 325 11	2 715 65
19	FLOUR CITY NATIONAL BANK		46 541 32	51 436 82	4 895 50
20	SWEDISH AMERICAN BANK	6 212 94	32 431 14	26 218 20	
21	METROPOLITAN BANK		25 311 16	28 583 42	3 272 26
	TOTAL	30 756 56	479 312 17	479 312 17	30 756 56

FIG. 2 6.—MINNEAPOLIS CLEARING-HOUSE PROOF SHEET.

in that city is bound in a book instead of being a loose sheet as in the former cities.

SCRANTON, PA., CLEARING-HOUSE.

In this city, as in all the others, itemized lists of the checks are, of course, made at the bank. The totals of these are then entered upon a slip called the exchange list, which fills the place of the settling clerk's sheet used in the large cities, and before described. The messenger takes the checks and list to the designated bank, where the various messengers meet and make the proper exchange of checks. The exchange list mentioned is left at this bank, which acts as a clearing-house (the banks having their own memoranda).

Fig. 207 shows the exchange list mentioned.

Scranton Clearing-House Association.

EXCHANGE LIST.

From Dadus National Bank.

Oct 11 1900 189

1	First National Bank	2484 66
2	Scranton Savings Bank	631 83
3	Merchants and Mechanics Bank	4571 04
4	Third National Bank	1952 51
5	West Side Bank	667 75
6	County Savings Bank and Trust Co.	1631 72
7	Lack'a Trust & Safe Deposit Co.	1930 04
8	Traders National Bank	
9	Dime Deposit & Discount Bank	2969 42
		18838 97

FIG. 207.

From these exchange lists a record is kept daily by the bank acting as clearing-house in a book prepared for the purpose. Fig. 208 shows the form used in this book.

No proof sheet is in use here and none is necessary, as no set-

SCRANTON CLEARING HOUSE ASSOCIATION

Exchanges Monday Oct 11 1900

BANKS	1	2	3	4	5	6	7	8	9	Total Received from Clearing House
1. First National,	0	197033	141057	604656	31367	76783	30716	248466	598884	2244135
2. Scranton Savings,	341837	0	30851	177711	29459	38711	27237	63183	179927	1069056
3. Merchants and Mechanics,	177197	199757	0	836165	30166	83116	60697	457104	72638	3511239
4. Third National,	182798	77008	34348	0	3904	38484	16685	195251	131767	2781913
5. West Side Bank,	43321	8899	61715	60393		2492	18149	66775	60080	346600
6. County Savings Bank & Trust Co.	47837	16277	64256	74836	2356		19697	163172	71817	1611999
7. Lack's Trust and Safe Deposit Co.	302376	199948	69517	194392	27856	29660	0	193004	157047	1348948
8. Traders National,	101169	71176	19789	32785	2661	8190	4988	0	27999	1816686
9. Dime Deposit and Discount,	36937	24944	7630	36780	1486	4514	23683	296942	0	1179073
Int Sent in Clearing House,	611868	1064805	4604	3066	1193	5772	2911	1883	1383	2506

FIG. 208.—SCRANTON, PA., CLEARING-HOUSE RECORD.

tlements are made by or through the clearing-house bank. The banks settle with each other directly, paying or receiving the balance due.

This method, as is seen, is very simple, and the forms used very few, but it accomplishes the purpose, and for a city of this size seems all that is necessary.

CHAPTER IX.

GENERAL MANAGEMENT.

The Origin of Banking.

To arrive at an understanding of some of the underlying principles relative to the general management of a bank, let us look at the origin of banking.

The word bank is supposed by some writers to be derived from the Italian word *banc* or *banco*, which signifies a bench or counter, such as was used by the Lombardy Jews or money changers, for convenience in counting their coin. In those early days money was carried in coin, and it was necessary to exchange these moneys before passing from one country to another. Other authorities say the Italian word *banco* is derived from *banck*, signifying a heap, or common fund.

The first known bank, such as we understand it, was the Bank of Venice, which was organized in 1171. This was, however, purely a bank of deposit, for the safe keeping of money, jewelry, or other valuables. This bank made loans to the Government, and was eminently successful, but was finally destroyed by the French in 1797.

For more than two hundred years this bank stood alone, then the Banks of Barcelona and Genoa were organized.

In 1609 came into existence the Bank of Amsterdam; in 1694 the Bank of England; in 1695 the Bank of Scotland, and in 1783 the Bank of Ireland.

These were all banks of deposit and discount or loan, similar to what we know them to-day.

The first bank in the United States was organized in 1781 in Philadelphia, and called The Bank of North America. This bank is still in existence, and flourishing, an example of careful conservative management. From that day to the present the growth of the banking business has kept pace with the other various interests; in fact, it has become so intimately interwoven with all the other varied interests of the country that they have become interdependent.

Gilbart says "a banker is a dealer in capital, or, more properly, a dealer in money. He is an intermediary between the borrower and

the lender. By this means he draws into active operations those small sums of money which were previously unproductive in the hands of private individuals, and at the same time furnishes accommodation to those who have need of additional capital to carry on their business."

A bank of the present day is defined to be "an institution authorized to receive deposits of money, to lend money, and to issue promissory notes, or to perform some one or more of these functions."*

The business of banking in its broadest sense includes the receiving of deposits, paying of checks, the loaning of money, dealing in bills of exchange and the issuing of paper money.

In looking back over the history of banking it is seen that the bank was the natural outgrowth of man's necessities.

In the earliest ages barter was simply carried on by the exchange of commodities. As this increased beyond the point of convenience various mediums of exchange were adopted, such as pieces of metal, flint, or shells. As the trade and barter between individuals in a community increased and extended to other communities the necessity began to be felt for some recognized medium of exchange that would be acceptable in communities outside their own, and have more recognized value.

The governments of various countries or communities then issued certain mediums of exchange, and passed laws regarding their values. As the values varied in the different countries or communities, it necessitated the money changer, who was to be found in the market places of the various cities on the borders of the Mediterranean, where the earliest trade appeared.

The increase in trade and the natural increase in the volume of these mediums of exchange (coin) began to make it very inconvenient and unsafe, in the then condition of society, to carry this coin on the person except in limited quantities. At first the bulk was kept in strong chests in the houses of the merchants or traders, but this became dangerous as robbers infested the countries. Then arose a demand for a strong and safe place of deposit, and upon this was organized the first bank. A building suitable to the business was erected and vaults built, and here the traders deposited their surplus mediums of exchange daily for safe keeping. As I have before stated, the banks at this period received for safe keeping various articles of value, and a fee was charged for their care.

At first there was no common general fund, each depositor leaving his coin or valuables in a bag or bags upon which he had inscribed his private mark.

*Bouv. Dict., Vol. 1, Tit. Bank.

As the business increased the responsibilities of the banks grew, and for their own protection, as well as for the protection of their customers, they adopted a simple system of giving and receiving a form of receipt or acknowledgment when a deposit was made or withdrawn.

Introduction of Bank Notes and Drafts.

As time went on, and the business of trade and barter increased apace, so that from the Mediterranean ports it extended to Spain, France, Germany and the British Isles, it was found extremely inconvenient and cumbersome to carry the large sums of coin necessary to meet all demands. Then came, to meet the demand, the introduction of bank notes.

Still later a closer interchange among the banks of those countries was called for by the mercantile community, consequently they adopted the plan of depositing sums of money with each other, and then selling orders or drafts against these, this being a more safe and convenient method of carrying money from one country to another.

These deposits could only be made in coin, and they had to be sent by a special armed messenger, sometimes accompanied by an armed guard, consequently the rate of exchange, or cost of a draft, was necessarily high.

Still later came the individual check, or order upon the bank, it being the natural outgrowth of the personal receipt to the bank when withdrawing any sums, just as the pass book has been the outgrowth of the simple receipt given by the bank for the deposit of any sums or valuables.

The original checks were simply an order, and had to be presented at the bank by the drawer for the withdrawal of any sum. As the demands of business increased these were made negotiable, consequently transferable, and thus we have the check of the present day, by which over ninety per cent. of the immense business of our country is transacted.

With the increase of trade came naturally the great increase in volume of the negotiable checks, and as it became necessary for each check to find its home bank, the system of exchanging between the banks in the cities by messengers soon grew too cumbersome, so the clearing-house system was organized.

The deposit between banks at a distance is now safely conducted by the mails and by the use of drafts and checks, in place of coin and the armed messenger, thus greatly reducing the expense.

The People Benefited by Banks.

I have given this brief account of the growth of the banking business to show its intimate connection with the commercial world. The banks are the outcome of the demands of trade, and they have increased with the natural growth of trade. The various convenient methods in use to-day are the gradual outcome of the demands of business for convenience and safety.

The banks may be said to be an excellent system of combination, by which the best results may be obtained. By means of the combined amounts of numerous depositors the banks have at their command an amount for loaning to business interests, to the benefit of the community, consequently for the benefit of the people of the country, such as few individuals could possibly have. One writer has very aptly compared the bank to a river into which flow numerous small streams each too small to do more than to water or fertilize its own immediate territory, while the river has power to move the wheels of myriads of mills, and float the ships from all parts of the world.

Another position a bank fills in a community, and by no means the least, is as a sort of trustee of the funds of its depositors. These funds are deposited with the confidence that they will be repaid whenever called for. The banks therefore, in a sense, hold them in trust, and are bound by the law to use all due diligence in their care and safety. They are permitted by the law to loan out a certain proportion of these deposits under certain restrictions, and these restrictions are made for the protection of the depositors.

I speak particularly of this position, for it is an important one, and I fear is sometimes overlooked. A bank may thus hold an influential position in a community, and if carefully managed can wield it for the benefit of all.

A bank, and particularly a bank for savings, is a great encourager of thrift in a community. Such an institution comes near to the lives of the people; it helps them to save, and by such savings to elevate the poor to a better position. The immense increase in savings deposits in our country in the last twenty-five years well attests the growth of thrift among the working people.

In spite of the benefits that the banks are to a community they are *not* philanthropic institutions. They must exist, and to be enabled to do so must make money, as there are running expenses to be paid always, besides, if possible, a fair rate of interest upon the invested capital in the case of discount and deposit banks, and interest to the depositors in the case of Savings banks.

These profits are made from the loaning of money and from

careful investments, and from selling exchange, and in some sections of the country from collection fees.

Banks may be classified into two kinds, private and public or chartered. A private bank is like any other private business, owned and run by private individuals or firms. The chartered banks are corporations, and obtain their authority from either the United States Government (National banks), or from the State governments.

In our previous chapters we have seen the machinery of banking; but, however beautiful the machine may be, unless it is set in motion, and in a direction to be of some use, it becomes like any other inanimate matter. It may be a curiosity to look upon, but will be passed by and hardly thought of again.

We see a beautiful and powerful engine. To us it represents a great deal, because we have seen it move, and we know what it can accomplish; but if we knew nothing of it and of its power, it would mean no more to us than an inanimate piece of metal.

Until the hand of the skilled engineer takes control of the engine it is really useless. So it is in the bank; no matter how beautiful and complete the machinery, there must be the engineer, the head and brains, to operate the machinery in the right direction.

As has been shown in early chapters, the management of a bank is divided into two departments—the legislative, or board of directors, and the executive, or President and Cashier. A full description of the necessary qualifications for these various positions, and the powers and duties of these officers, has been given, so it will be unnecessary to repeat the matter here.

If sand gets into the bearings of an engine it produces friction, the bearings get hot, the engine must be stopped and the irritating cause removed. So in a bank there should be as little friction as possible between the executive and the legislative departments if there would be any real success. There may be differences of opinion, but the two bodies should fully recognize each other's position and responsibilities.

It is natural that a board of directors should defer to the opinions of the executive officer, feeling that he possibly has more personal knowledge on the question before them than they, as sometimes occurs; but the officer should give the board all the information in his possession, and let them decide as to the best course. A one-man bank in which the board of directors is a mere figure-head too frequently occurs, and often results in the wrecking of the institution.

Making the Bank Popular.

A bank to be really successful must be in a measure popular, especially in these days of active competition.

When a bank first opens its doors for business it must have customers, that is, depositors and borrowers—one is as important as the other. Its stockholders, having a personal interest in its success, may reasonably be expected to be among its depositors. But these of course are limited. If it would succeed it must seek to build up as large a line of depositors as possible. To do this it should start from the foundation. Seek to obtain among its stockholders as many strong leading men, men of the highest standing, both financially and socially, as possible. The board of directors should be made up of men of this type, and in their selection of the officers they should choose the best, not the cheapest, as is too often done. The cheapest men often prove the dearest.

The confidence of the people must be obtained. This should be the first move towards popularizing the bank. Having obtained it, never by word or act do anything to shake it.

To obtain depositors often requires much solicitation. This more properly belongs to the stockholders and directors than to the executive officers or employees.

In soliciting depositors the oait of increased accommodation is sometimes unwisely used.

The question of loans or accommodation is one that should be considered strictly by itself, and should depend upon many things which will be treated of later.

The bank started, its policy in popularizing it should oe to treat everyone, rich or poor, with the same courtesy. Be perfectly honest and frank with the people. Let the bankers never forget that they have in their care the money and credits of the people, which have been entrusted to them, and they will be watched, particularly at first, with anxious eyes as to the conservatism and carefulness of the management.

Borrowers are not so difficult to obtain, except under some extreme conditions, as depositors. The question here is as to the security. Here is another line upon which a bank can make itself popular, not by lending to everyone, but by exhibiting such care in making its loans, and if necessity compels the refusal of a loan to do it in such a manner that even the one refused will feel the justice of the act, and his confidence will be strengthened.

Men like to transact business where they know they will be treated honorably and with courtesy, and where the interests of all will be well guarded.

To be popular a bank must be broad spirited and liberal. A petty spirit soon disgusts the people, and they will not hesitate to show it at the first opportunity.

Whatever is worth doing is worth doing well, and the people seldom object to paying for a first-class article.

Ways of Advertising the Bank.

Wise advertising is a feature in banking that is worth considering. The customary business card is, of course, put in the papers, and at regular periods statements of the condition of the bank are published. Banks desiring to increase their list of correspondents will find the banking and financial periodicals of the highest class valuable advertising mediums.

A plan frequently adopted, especially where the bank is in a healthy, growing condition, is to have a copy of a published statement printed on a neat card, and enclose one of these cards with every letter that is sent away, and place them at the disposal of depositors and others coming into the bank. The people like to watch the growth of a bank, and are pleased when they see the one in which they deposit steadily growing.

Some banks get up a nice little pamphlet in which are brief instructions regarding notes and their forms, endorsements, the proper form in which to fill up a check, the forms of drafts, a few simple rules regarding the making of deposits and the care of the pass book, also the postal rates. These they send to all their depositors and place them on their counters within the reach of all.

Some have rulers and pencils made, also calendars, memorandum books, pocket atlases, needle cases (for the ladies), and various other little useful articles, all with the bank's card on them, to give away to their customers and others.

The paying of interest on deposits is another means of drawing business, but whether this is a source of profit, except under certain circumstances, is a doubtful question. The most satisfactory way is to keep this class of accounts as purely savings fund accounts, under the usual restrictions of Savings banks, not subject to check. Many banks are doing this with success.

In the competition to secure deposits from banks and bankers some large banks employ canvassers who travel over the country visiting the banks in small towns and cities, and soliciting their accounts.

Another means of popularizing a bank is for the bank to own its building. The people certainly feel more confidence in the bank that is fortunately able to have its own building. But it would hardly be considered good business management for a bank to erect or buy

a building for its use unless it is in a financial position to warrant doing so.

With all these various means nothing succeeds so well as the points first mentioned—starting the bank on the right foundation, winning the confidence of the people and retaining it by kindly, courteous treatment and the best of service. Depend upon it, it pays. As an instance let me tell of the success of a bank that followed the above policy. The bank started in a section of the country where it had been the custom to collect without charge. It had old competitors, but it took the position that it would transact all business promptly and give the best of attention. It pushed for business, and to-day, while only seven years old, it is the largest bank in that section of the country, and has fully demonstrated the fact that the people are willing to pay for *good service.*

The Loans and Credits.

As has formerly been stated, a bank's principal source of profit is derived from the loaning of money, or the buying of paper, the loans being made chiefly to those engaged in various business pursuits. The basis for loans is credit, just as the basis of all business is credit.

A bank discounts paper, or buys paper; it does so upon the knowledge it has regarding the maker or endorser of the paper. Even where a bank loans upon collateral security it is done upon the knowledge of the value of that collateral, and of the financial ability of the corporation issuing the collateral. Good credit is often worth more to business houses than the actual capital employed, and the consideration of credits is a leading feature of the banking business, especially in our larger cities and towns.

A credit department in a bank is as necessary as in a mercantile house, and it should be managed with the same care. A description of such a department with diagrams of the best forms will be found in the chapter on loans.

It is comparatively easy to loan money, the difficulty being to be sure of the repayment of the loan.

More banks have been ruined by the losses sustained from bad loans than from defalcations, and, as has been stated in previous chapters, too great care cannot be exhibited in a careful study of a borrower's personal character, as well as his financial ability. A man's financial condition may apparently be good, yet his personal habits be such as to wreck him. Let me give a case in point. A merchant in one of our cities, who was a very active business man, and apparently successful, was quoted in the mercantile reporters "capital over one million, credit high;" at that very time he was

selling his paper, through brokers, in various parts of the country. The question was finally raised as to why a man of such standing should have to go so far from home to raise money, and an investigation showed that he had ruined his credit in his own locality by unsatisfactory and unreliable methods of doing business, by his personal habits and by his manner of treating people. He failed for a large amount, a natural conclusion to such a condition.

The dispensing of credit is one of the most responsible features of banking, for it may be the means of the making or breaking of any business man or firm unless handled with great care and discretion.

The banker is in a position to know when a borrower is going beyond the safety line, and he should take the liberty of cautioning him or of withholding further loans. The difficulty here is that too often the banker allows himself to be led by an over-confident customer into loaning him more than was safe, then, when the pinch comes, he is persuaded into advancing more with the hope that by so doing the whole loan may be secured by the final success of the project. In most such cases the operation is speculative in its character, and in all such loans the deposit of collateral cannot be too strongly recommended.

The question naturally arises here as to the margin of credit in such cases. This depends largely upon the character of the collateral. If the collateral should be United States bonds, of course it is perfectly safe to loan the full face value. The same can be said regarding the bonds of some of the States. With regard to railroad or industrial securities, it will be well to act with great care, for the value of these securities is dependent upon so many contingencies, that their actual realizing market value must be carefully considered and kept continually in view. Among the most careful and successful bankers it is considered wise with this class of securities to keep a margin of from twenty-five per cent. to fifty per cent. beyond their actual selling value.

One point should ever be before the banker regarding his collateral loans, and that is the readiness with which they can be turned into money when needed. It is for this reason that mortgages are not considered a good class of securities for loans for banks of deposit, where the depositor's money is payable on demand, for they are what is considered slow assets, it seldom being able to realize upon them quickly, especially if a pressure comes.

Savings banks often adopt mortgages as their form of investments, but they are generally protected by their rules from any sudden heavy drafts, which gives them the opportunity to raise the necessary funds.

It is customary to require a statement of their affairs from many borrowers, as was mentioned in the chapter on loans.

It is well to keep in mind that there are two ways of "padding" a statement—one by a fictitious increase of assets, the other by a fictitious decrease of liabilities. The former method is the more common. Let me give two instances that came to my personal attention.

A large corporation that was actively pushing for business all over the country had a mail-order department, and employed a large force of typewriters and others constantly sending out circulars, and corresponding with people, seeking for business. The expense of doing all this they estimated at $100,000, and reported it in their statement of assets as "prospective customers" for the amount named. While they may have valued to themselves the work done as being worth that much to them, yet this could not legitimately be considered an asset, nor could a bank, loaning upon the strength of such an asset, have realized from it if forced to do so, which is the proper way in which to consider an asset.

Another concern, a large dealer, in making a statement to a bank increased their assets over and above what was called for by their books, by $50,000, adding this sum to the statement of merchandise on hand. An inquiry showed that this fictitious sum was added because they *thought* they could *probably* sell out their business and good-will for this advance, and they could not show solvency without it.

This was not a realizable asset, as was shown later when the concern failed.

It is a fact that the legal limit of ten per cent. of the capital stock is ignored by many banks. The Comptroller of the Currency in his report for 1901 stated that it was shown on June 29, 1900, over forty per cent of the National banks reporting on that date had made loans in excess of the statutory limit. With the natural increase in business, and heavy demands for money, there is every temptation to break this statute, but while it is a statute, and as it was placed there as a safeguard, bankers will do well to obey it.

Some banks with comparatively small capital and heavy deposits, having large demands for money, and not wishing to increase their capital stock, or to break the law regarding the ten per cent. limit, adopt the policy, when desiring to grant heavy accommodation, of obliging the customer to present first-class marketable securities, bonds, for from fifteen to twenty per cent. more than the sum desired. The bank then purchases these securities outright, making what is called a temporary purchase, for the amount desired, it being agreed with the customer that he is to purchase them back at the same figure at a certain time, or in installments if desired. If

they depreciate materially he is to furnish the bank more or they have the right to sell in the market.

A record is kept of this temporary purchase in a book for that purpose, in which a description of the securities is noted, from whom purchased, the date of purchase, and the amount actually paid. The sum paid is charged on the books of the bank to the account of stocks and bonds, consequently never appears in the loans. The danger of this method lies in a want of care and conservatism in the selection of the securities. Those qualifications, care and conservatism, are considered by some to be the opposite of energy or enterprise, but never were they more mistaken. They are partners who can be of the greatest service to each other.

Many banks adopt the policy of treating the surplus as a portion of their capital, consequently when making loans the ten per cent. limit is considered with reference to the combined capital and surplus. This naturally gives a much larger basis for loans in many instances, and still observes the law regarding the limit.

Defalcations and Embezzlements.

While it is no doubt true that the majority of bank officers and employees are honest, yet it is a fact that too much dishonesty exists, and while occasionally a case gets into public print, yet in most of the instances the loss to the bank is made good by the friends of the faithless clerk or officer, and he is allowed to quietly resign. This policy may not be conducive to good discipline in the bank, but very naturally banks feel sensitive about having a stain of this character become known to the public, often bringing upon them and their management severe criticism, and naturally shaking that confidence they have been earnestly seeking to secure.

In treating of this subject it may be well to consider first the causes. The officers and employees of banks are naturally brought in contact with men of all kinds, and the temptations which are thrown out to them to speculate, in the hopes of accumulating a little wealth, are numerous.

As a general rule these defalcations are not committed in one stroke. Once in a while an officer or employee helps himself to the money in sight and "skips" for unknown regions, but more often the money is drawn out by degrees as needed for the schemes at hand, and every attempt made to cover the tracks. The delinquents often begin in a comparatively small way, of course intending to return the money abstracted as soon as the profits from the scheme into which they have embarked have materialized.

Once started, the demands for more money increase, for, of course, the scheme is a "sure thing," but the profits promised do not

appear, and the man is dragged on, hoping against hope. Falsification naturally follows the robbery, just as lying follows stealing, and an investigation finally develops the fact, which closes his career with disgrace, often behind the prison doors.

This speculative fever, which seems to have affected all classes, and has grown tremendously in the past thirty years, has proved to be the principal cause of embezzlements in banks. Much of the speculation now carried on, such as dealing in futures, or on margin, is simply gambling, and when we consider gambling we must associate with it horse-racing, pool-selling and book-making, the gambling houses, and their accompaniments, fast living and dissipation, all calculated, sooner or later, to ruin a man.

The political field, with its excitement and promise of great possibilities, is very enticing, and too often the banker is led within its meshes. He aspires to be a political leader, to go to Congress, or perhaps be Governor; to do this requires money, plenty of it, and if he is not a wealthy man the bank too often has to pay it, to its serious loss. More than one banker has been wrecked on this reef.

Extravagance in living is another cause. Bankers are expected to maintain a certain social position, but whatever their aspirations are in this respect nothing should ever lead them to live beyond their means, for with the accumulation of debts comes the temptation to obtain the money illegally with which to pay them.

Discouragement may be considered another cause, although not as frequent a one as those before mentioned. A man may sometimes be driven by discouragement to commit an act that he would not think of doing under different circumstances. Nothing is more encouraging than a recognition of faithful services, and it pays to adopt this policy. Few things are more discouraging than, when the chance for promotion comes, it is found that political, business, or family influence has more weight with the bank management than honesty, integrity and ability.

Too many banks pay their employees insufficient salaries, the responsibility not being considered as it should be. This is an unwise policy, for bank clerks as a rule are expected to appear like gentlemen, and they can hardly take the interest in the bank's affairs that they should if no interest is taken in them. Inducing them to become stockholders has worked well in many instances.

One serious cause of defalcations is an inherent weakness, which sometimes makes it difficult for a good-natured bank officer to use with proper effect that valuable word "no," and the failure to do this has been the cause of serious loss, and has led to defalcations, misapplication of funds, and their attendant, the falsification of accounts.

Nearly every department of the bank has been the sufferer at some time from the dishonesty of officers or employees, and the methods employed have been numerous, but I doubt if it would be wise to detail more than a few in a general way.

It may, however, be set down, almost as a rule, that where there has been embezzlement, falsification of the records may be found as a natural accompaniment.

Banks have been started in fraud, the capital stock considered paid in and so reported, when in reality the only payments were by notes, and these continually renewed from time to time when the bank examiner was expected. The whole scheme being to obtain deposits with which to carry on some operations. Of course such a bank could not last very long.

Fictitious persons, or mere straw men, have been used upon paper for the purpose of obtaining money from the bank in an apparently legitimate manner. Loans have been obtained by officers upon good and well secured paper, which has been afterwards removed from the bank and worthless paper substituted. Collaterals have been removed from the bank by officers and employees having access to them and hypothecated for their private use.

Overdrafts of officers and those connected with them to the extent of hundreds of thousands of dollars have been allowed, and upon the advent of the bank examiner his assistant has been paid not to disclose them, and at other times the pages of the ledger containing these have been torn out and the books falsified. Loans have been made in the legitimate way to bank officers upon collateral, and the notes with the collateral, when due, simply removed, not paid, and the accounts falsified.

Clerks sometimes, through fear of being discharged if they refuse, feel obliged to make entries in the books which they know to be false and intended to cover fraudulent transactions.

My advice to all such is to most positively refuse. Better to lose your position in the bank and preserve your honor and self-respect. I know of more than one instance where the clerk who profited not one cent, but simply obeyed orders, had to suffer the penalty of the law for aiding and abetting a criminal officer.

In more than one instance collusion has been discovered between various employees in the bank, or between some employee or officer and an outsider. In the case of collusion between employees it may be certain that one of the tellers is one of the guilty parties, for it is money the thieves are after. While collusion between employees does sometimes occur, still the most frequent form is between some one inside the bank and an outsider, and this is done in various ways; among them, are giving false credits, suppressing overdrafts,

cashing and suppressing fictitious checks, issuing certificates of deposit, or Cashier's checks, or drafts on other banks without pay, relinquishing discounted notes or collateral without the paper being paid, and many other methods too numerous to mention.

Carelessness in the management, or want of a proper system in the accounting of a bank, often opens the door, and is taken advantage of by the sharp and unscrupulous. In fact, in almost every instance of embezzlement that has come to my personal attention some looseness in the methods or carelessness in carrying out of the operations has been taken advantage of by the guilty one.

The system employed in a bank cannot be too perfect, nor can its rules of operation be too inflexible.

The Prevention of Defalcations.

The prevention of defalcations is a subject in which all bankers are interested. While it is a fact that neither strict rules nor even legislation will prevent *all* dishonesty, yet such careful supervision can be employed, and such restrictions can be placed upon those connected with the bank, that it will be difficult to do much injury before detection.

Character is the first point to be considered, for in the selection of officers or employees this comes prominently to the front. No man addicted to gambling, either with cards, stocks or otherwise, or to habits of dissipation, should be considered for a moment, no matter what his popularity or influence. If at any time a suspicion, however slight, should arise reflecting upon the character or habits of any one connected with the bank, he should be subjected to an investigation. This should be done as a matter of business, without sentiment, and should the suspicion be well founded, he should be either dismissed or requested to resign, whether any loss has been sustained by the bank or not, for the business of a bank is such that there is too much risk attending the retaining of such a person in its employ.

It is not a good plan to permit employees to have their personal accounts in the bank with which they are connected, unless it be the only bank in town, and only then under rigid restrictions, and no overdrafts of such should be permitted.

Special privileges should not be granted to officers or employees with regard to borrowing money from their bank. When such loans are requested they should be passed upon in the regular way by the board of directors, and special inquiry should be made as to the conditions and circumstances under which the loan is required, and, wherever possible, collateral should be obtained.

It is advisable that the mail coming into a bank be received and

opened by some officer, not by an employee, he distributing to the proper departments such as belongs to them.

It is very advisable that the work of a bank, however few the transactions, should be properly closed up and posted daily. Some small banks have a practice of posting their ledgers once or twice a week, and entering up their discounted paper once a week. This practice is careless, and it is hardly possible with such methods to keep as close track of the business as should be done.

Some banks have a faulty method of carrying large amounts of the checks, foreign as well as local, coming into their hands through the various channels, for instance all received after one o'clock, over into the next day's business.

This method is exceedingly unsafe, and has been taken advantage of frequently. Each day's business should be cleaned up so far as possible, with extremely few carry-overs, and those small and well accounted for.

Some banks oblige their employees to secure certain lines of deposits. This is a very unsafe policy, as it places the employee under obligations to a customer, and this often opens the door to collusion. The duty of securing customers should devolve upon the stockholders, and no one connected with the active management of the bank should be placed in such position.

Whenever it is possible it will be found safe to permit no officer or employee handling the money of a bank to make the records, and it will be found a safeguard to have all the transactions for the receiving or paying of money recorded twice by separate individuals, one being a check upon the other.

Tellers sometimes take it upon themselves to make temporary loans upon mere checks or receipts.

This often opens the door to crookedness, or the means of covering it. Each department in a bank has one regular channel through which its transactions should go, and any departure from this is sure to let down the bars and leave the way open for wrong-doing. Thus, there is only one proper channel through which loans should be made, and no well-managed bank will allow such innovations as mentioned.

The cash items or carry items at the teller's desk often form a "hole" in which to conceal irregularities or defalcations, and should be watched carefully.

With regard to the individual ledgers—the three-column balance ledgers should be proved at least once a month, instead of yearly as I have seen many times. The Boston ledger system is preferable in enabling a proof to be taken daily.

In either of the above systems the daily balances should be ex-

tended in *ink*, never in pencil. Some of the most glaring frauds I have seen covered for a time by having the daily balances extended in pencil, enabling them to be altered easily to suit the occasion.

The balancing of pass books monthly is one of the surest proofs of the correctness of the accounts, and it is much better, where possible, to have them balanced by some one other than the bookkeeper. In cases where it is impossible to obtain the pass-book, a statement of the account should be made from the ledger or vouchers, and this should be sent to the customer with a postal card for return as to the correctness of the account.

Keep a close watch on the loans and discounts, for through these channels many defalcations have been committed and successfully covered for quite a period before detection. The want of care often exhibited in the keeping of the two principal books in the discount department, the discount register and tickler, has frequently opened the way to crooked transactions. As the discount register is the daily record of the loans made, so the tickler, when properly kept, should be the daily record of all loans repaid, in whatever way.

The loans should be proved frequently, either by a committee, or by some one appointed for that purpose. While proving the loans it is well to take into consideration the question of interest and discount, for these are channels to be watched.

The manner in which the majority of these examinations are made by the committees, even by those who are striving to do their duty, also a large proportion of the examinations of paper as made by the National and State bank examiners, is such that it is comparatively easy for a dishonest employee or official to fool them for a considerable time. I understand fully the limitations of time in many of these examinations, yet, in more than one case that has come to my personal attention, had only a few more hours been given to it, and a little more attention to the detail, the banks could have been saved heavy losses.

Bank officials are often in demand for positions of trust in other corporations in their locality, but the wisdom of permitting such combinations to exist should receive the consideration of the board of directors, for the division of interest, with the natural demands for accommodation required in trade, present temptations too serious to be ignored. Should circumstances appear to warrant them, however, it will be found advisable to have periodical audits made with the view of preventing the application of the funds of one office to conceal any possible defalcation in the other.

Methods for Safeguarding the Bank.

Various methods are employed by banks to prevent or circumvent defalcations, such as the shifting of the clerks from desk to desk; the employment of a double force of clerks, one set working at night to verify the work done during the day; the appointment of an examining committee of the clerks to examine the affairs of the bank.

The objections to these are, for the first plan, that it can hardly be carried on with any degree of success without seriously interfering with the regular work of the bank, except merely the shifting of desks with the individual or general bookkeepers. The chief objection to the second plan is the heavy expense, in reality about doubling the usual expense for salaries. For the third plan the objection is, that, in the first place the only time in which such an examination can be made is at night, and the clerks who have been working all day are hardly in a condition to work at night and do justice to it.

Then again, the usual friendly feeling existing between the clerks acts as a bar against that spirit of perfect impartiality which should exist in an examination of this kind. I have more than once heard clerks reviled by their fellows for reporting to the officials an irregularity that was neccessary to be known, and that would have caused loss and trouble if not reported. Another objection is that those working side by side get into the habit of taking it for granted that the work of their fellows is correct, consequently do not give that careful attention to the detail in an examination that they should. Some banks employ an auditor as one of their regular working force. The trouble with this is that, where everything has been smooth, clean sailing for a long time he naturally falls into a perfunctory way of performing his work, consequently the sharp, shrewd fellow circumvents him.

The plan that has given the best satisfaction, when properly carried out, is to have an examination made by an experienced bank public accountant, an outside man, once or twice a year. He should be a man thoroughly familiar with the banking business, and should be allowed to set his own date, not even the officers knowing when he is coming. The fact that such an examination will be made, and will be absolutely impartial, and that the exact condition of each department will be reported upon to the board of directors, will be the means of deterring many from careless or irregular transactions, or from worse. Let me emphasize the point *that the examiner should be familiar with the banking business.* Banking is like any other trade, and can only be learned by working at it. A man may be a

good mercantile accountant, but be really useless in making a thorough examination of a bank.

The experience of some banks, especially where the officers have been consulted as to how the examination of various departments should be made, has been rather unpleasant in this respect.

A careful examination by a competent man, concluding with a detailed report covering the condition of each department, is a great satisfaction to both officers and directors. The weak places can be shown and improved methods can be recommended, and the effect upon the public that such an examination is made periodically is to strengthen its confidence in the bank.

The examinations made by the directors are necessary, but can be only supervisory, as they have little time to go into the detail. The same can be said of the majority of the examinations made by National and State bank examiners, their special object being simply to learn if the bank is carrying on its business according to the law.

Forgeries and Check-Raising.

The fact that banks are the custodians of large amounts of the people's money seems to make them liable to the attacks of all kinds of sharp, shrewd and unprincipled people, desirous of obtaining a portion of the money illegitimately. Of course there is the professional bank burglar, but in consequence of the great improvements in recent years in the structure of vaults and locks, he seems to have little occupation. Then there is the "hold-up" method, but this has become pretty precarious, and the banks subject to such visits, by protecting their officers with bullet-proof screens, make it comparatively difficult for the desperadoes to succeed. The professional forger and check-raiser next demand our attention, and here is something which has caused serious losses and is difficult to contend with. Individual cases of forgery of notes or checks sometimes occur among the officers or employees or customers of banks, but these seldom extend far, or are of very large amounts, and are soon discovered.

The most dangerous forger is the professional—the man or men who make a business of robbing by this method. I said men, because the operation is generally performed by a gang of three who work together, each having his part to perform. One is called the backer, a shrewd, sharp, businesslike man who plans the scheme and furnishes the necessary money; the next is called the writer, who is expert as a penman and in the handling of certain necessary chemicals; and the next is the presenter, and for this purpose is generally selected a bright, intelligent, gentlemanly appearing man with a pleasing manner and fluent tongue.

Drafts are obtained for small amounts, generally for even dollars, between the sums of ten and one hundred, most often between ten and thirty. These are skillfully altered or raised by the addition of the word hundred or thousand and of the necessary ciphers. Where the writing or figures of a draft are to be altered, the original is obliterated by the use of chemicals, and where sensitive paper is used the proper color is returned. Even where fine lines are made by the lithographer upon the draft as a protection against alteration and they become partially destroyed in the alteration, they are replaced by the expert penman in so skillful a manner as to almost defy detection. Even the punched-out holes, giving the amount, are most skillfully filled up by pieces of the same size, and by the use of paper pulp, the whole being afterwards ironed so as to completely obliterate the former punchings, and new punchings are made to correspond with the raised figures. Forged letters of advice and letters of credit are easily manufactured.

Even where it becomes necessary to obtain the endorsement of a Cashier to a draft guaranteeing the endorsement of a payee, this is most skillfully forged. Where it becomes important for the presenter to make the acquaintance of officers of a bank, forged letters of introduction are easily made.

One of the gang will sometimes open an office in some town and put out a sign as though transacting a legitimate business; make the acquaintance of some business man, and through him get an introduction to a bank, ostensibly for the purpose of opening an account, and will apparently transact a legitimate business for a time, obtaining, if possible, the confidence of the bankers until finally the scheme is worked, and the bank is the loser and the bird has flown.

I have told something of the methods of these fellows for the purpose of putting the unwary on their guard, for no one can tell where these sharpers will strike, as they seldom work continuously but in sudden moves in different parts of the country, and the least suspecting ones are liable to be victims at any time.

To judge something of the extent to which forgeries have been carried on by professionals, it is learned that capitalized syndicates have engaged in it, and only a few years ago one of these gangs, it was estimated, victimized banks in different parts of the country to the amount of $300,000 in three months.

One word regarding the signatures of bank officers. Some are made very oddly, but at the same time almost illegible. The most difficult signature to forge is the one written in a plain round hand.

A few precautionary rules it may be well to consider.

In the first place, eternal vigilance is the price of safety in cases of this kind.

If a stranger presents himself to the bank for the purpose of transacting any business, no matter how introduced, investigate him *thoroughly.*

For matters of identification place no value upon letters or papers of any kind, for it is unsafe to pay money on a check or draft without positive identification, or the certainty that the endorsements are correct.

Study human nature. There is no criminal or man who is willing to knowingly connect himself with a criminal act but shows something in his face that will arouse the suspicion of a discerning man. There is always more or less lying connected with every criminal act, and a close student of character can detect this sooner or later, either upon the facial lines or in the eyes, or certainly something in his manner upon conversing with the party. Such a person can never bear close inquiry or cross-questioning upon any subject.

Never compromise with a criminal, whether he be a defaulting officer or employee or an outsider. Such a course is sure to encourage others.

The protective committee of the American Bankers' Assaciation has done very effective work in the breaking up of gangs of forgers. If every bank in the United States would become a member of this association, and thus exhibit to the public the metal card telling of their membership, it would have a deterrent effect upon forgers or check-raisers, for the banks would then form an unbroken line working together, and calling to their aid the best legal talent and strongest detective force in the country.

The confession of a professional thief may not be out of place here: "If there were two banks standing close together, and one was a member of the Bankers' Association, the boys would tackle the one that was not a member first."

Why Banks Fail.

The same general conditions will produce a failure in a bank as in other business. That is, when a bank, from whatever cause, is unable to meet its liabilities, it fails. The failure may be permanent, or temporary, the latter generally being called a suspension.

A bank may have sufficient assets to meet all its liabilities, yet, in consequence of a stringency in the money market, and an inability to realize upon a large proportion of its assets, it may be forced to close its doors. A severe stringency in the money market is apt to be followed by a great depreciation in values. Such a condition, if continued for any considerable period, will be apt to cause failures in banking circles.

In times like these the greatest care is necessary, and it is then

that the effect of good management is felt. It is comparatively easy to steer the ship through the smooth waters of flush and easy times, but it is in just such times, when he is making money, that the careful banker prepares for the troublous times that are sure to come. He prepares by keeping a very close watch of his loans, recognizing that here is the principal point of weakness; reducing the single-named paper to the lowest minimum. He will accept as collateral only such securities as are of high standing and can be marketed readily. He will endeavor, as far as possible, to keep the lines of his borrowers drawn to the legitimate limit, realizing that it is far safer to have the loans well distributed in comparatively small amounts among many borrowers than in large sums among a few.

If the bank is in or near a city where the market reports of securities are published daily, he will carefully watch these as regards the value of the securities held by him as collateral, and should any depreciation take place, reducing the value of the security below the amount of the loan, or below a safe margin, he will at once call for more security.

More than one bank has been wrecked by the unwise plan of "putting too many eggs into one basket," also by extensive investments in real estate, hoping through the prospective boom to make immense profits.

Many banks have been wrecked by the making of excessive loans, especially to their officers and directors. These gentlemen enter into some schemes, led into them possibly by an oily promoter; not having the necessary money, they call upon the bank, borrowing the money upon their individual paper. These schemes are generally more or less speculative, and the element of risk is heavy, but they seem to forget that as sworn officers of the bank their first duty is to look out for its interests, and they have no right to use the funds of other people, in the care of the bank, for their own speculative enterprises, to the endangering of the bank. Whatever profit would be derived from these schemes would not benefit the bank, the institution only receiving the usual interest for the loans, while the actual loss, if any, would be sustained by the bank. Such action has frequently been denominated a misapplication of the funds, and as such is punishable.

Injudicious banking is the cause of many failures. This covers of course want of judgment in making loans, and careless and imprudent methods of transacting business, among which is the permitting of heavy overdrafts unsecured.

There are certain conditions existing in some sections of our country where it seems necessary to adopt methods that would in other sections be looked upon as reckless; for instance, in some sections of

the far West loans are frequently made to the owners of large herds of cattle or sheep, the security being the live stock. This live stock is moving over the plains and may be many hundreds of miles away when the notes become due. The notes often become past due because of the impossibility of the payer reaching the bank.

This character of loans is generally made in the spring, and in the fall when the live stock is sold the notes are paid, and the loans are made largely upon the personal knowledge of the honor of the payer. Protesting in such cases is seldom resorted to. In a time of stringency this class of loans would be of very little use to a bank as collateral, and might be the cause of a failure.

The accumulation of bad debts and the paying of unearned dividends have been the cause of more than one failure. A bank sustains heavy losses through bad loans; it manages to have the loans apparently renewed every three or six months, the new notes being signed by bankrupts or former officers of failed concerns, and made with interest added, this interest being credited to their profit and loss account and dividends declared in consequence. The bank receives nothing, but continually pays out; failure is bound to appear in time. Probably the most trying cause of failure is dishonesty. When one has shown every confidence in bank officials, and has had it rudely shaken by frauds or defalcations, it is apt to breed a feeling of bitterness which cannot be blamed.

According to the report of the Comptroller of the Currency for 1900 there have been 390 complete failures of National banks since 1863. The chief causes of these failures, with the number of banks to each cause, are reported as follows:

	Banks.
Defalcations of officers	30
Fraudulent management	93
Wrecked by Cashier	13
Excessive loans to officers, directors and others	71
Depreciation of securities	15
Investments in real estate and mortgages	14
Failure of large debtors	7
Injudicious banking and imprudent methods	98
General stringency in the money market and shrinkage in values	49
Total	390

It will be seen by this that if we take the first three causes it makes 136 banks, or more than one-third, and if we add to it the fourth cause, we have 207, nearly all of which might be considered in the category of dishonesty.

Of course, the great majority of those engaged in banking, including clerks as well as officers, are absolutely honest, but it should be the constant study of those charged with bank management to

seek to reduce the number of these failures, whether due to dishonesty or other causes.

What to Do When the Bank Gets into Deep Water.

In all the previous chapters the bank has been considered chiefly in the light of prosperity, but troublous times come, business depression, followed by financial panic, and naturally the question arises, What is to be done under those conditions?

A general financial panic, such as this country went through in 1837, 1857, 1873 and 1893, does not come suddenly, but is the result of certain business conditions that have been gradually growing, like a coming storm. Mills close for want of orders, collections are hard to make, thousands are out of work, thus taking millions of dollars out of circulation, promissory notes cannot be met; then comes the feeling of uncertainty, the want of confidence, which always precedes the panic.

The careful banker will make mental note of the gradually approaching storm, and if he has been a careful manager through the period of prosperity he has comparatively little to fear.

The old maxim, "in time of peace prepare for war," applies as well for banks as for anything else. The man who is careful and cautious in the making of his loans, and who keeps his assets in a readily available condition, remembering that "every dollar a bank loans above its capital and surplus it owes for,"* is in a well-fortified position. On the other side, however, the man who has taken great risks in making loans, considering more the high rate of interest he expects to make rather than the security of the principal, has much to fear. Such a man finds it impossible to shorten his lines of discounts without producing the very disturbing element he is trying to avoid. His sudden change in business methods will be considered an exhibition of weakness by his customers, which may result in a run on his bank.

In times of panic courage is of the greatest importance. The mere fact of keeping up a strong, cheerful, hopeful front is of great assistance in allaying that feeling of want of confidence. Much judgment must be displayed towards borrowers, for many really good customers will need assistance in the shape of renewals of loans, and it would be unwise to attempt to push them to the wall and thus produce a failure, and only add fuel to the fire.

If a run upon a bank should occur, the main thing is to quiet the panicky feeling among the depositors. Obtain all the currency possible, especially coin, and exhibit it on the counters inside the bank. In paying the checks of depositors drawing their balances do it with

* Hon. Hugh McCulloch, "Suggestions to Managers of Banks."

great deliberation, examining the account in every instance before payment, and taking advantage of every plea for time. By this means the payment goes on very slowly, and after a few days the depositors, seeing the bank continuing business, recover from their fright and the run is stopped.

The disposition among banks to help each other out of the tight places is a great security. In the trouble of 1893 the action of the clearing-houses in coming to the assistance of the banks and issuing certificates that could be used by the banks in their settlements, saved many from going to the wall. In some cities the clearing-house issued certificates in small denominations, and these passed current in general business, giving great assistance to all. The United States Treasury Department endeavored to take some action taxing this issue the ten per cent. according to law, but nothing was done, as it was considered only a temporary measure to relieve the local stringency, and under the circumstances would have been an unwise move on the part of the Government.

General Suggestions Regarding Management.

Banking, like any other business, cannot be carried on without some necessary expenses, such as taxes, insurance, repairs, salaries, stationery and many incidentals. The taxes may be considered in the light of one of the fixed charges. To banks that rent a banking room the only insurance necessary is for their furniture, counters, etc., which of course would be trifling, but these being the property of the stockholders the management should certainly take every means to protect them against loss by fire.

It is wise for a bank to own its building, and if constructed with well arranged office apartments above the banking room it can be made a good source of income upon the investment. A poorly constructed building with poorly arranged offices for renting, like anything else poorly done, will not pay. "Whatever is worth doing, is worth doing well." Repairs should be attended to promptly, like the "stitch in time that saves nine." Nothing deteriorates so rapidly as real estate or fixtures looking dingy or out of repair, and it has a bad effect upon the standing of a bank. The live banker will keep everything around him looking bright and in good condition.

It is poor economy to pay poor salaries. In no business is it more important to have the best of service and the most trustworthy employees, and good service, like anything else that is good, is worth its price. The bank that takes an interest in its employees may be sure that they will take an interest in its affairs, and a mutuality of that kind *pays*.

Some banks besides paying fair salaries, when doing a successful

business, give each employee at the close of the year five per cent. or ten per cent. of his salary in addition. Thus the man receiving $1,500 a year salary would receive at the end of the year $75 or $150. Other banks give inducements to their employees to become stockholders, receiving payment for the stock in monthly installments. Each of these methods makes the employee feel a personal interest in the success of the bank.

It is an unwise policy to give clerks more work than they can do properly. There is a limit to human endurance, and while some clerks have the natural ability of disposing of more work satisfactorily in a given time than others, yet none are made of iron or steel.

I was once requested to visit one of the most active and successful large banks in our country, to learn, if possible, what were their methods, as they had such a reputation for transacting their business in a remarkably prompt and efficient manner. I found there was nothing very new in their methods, but they had a sufficient force to perform all the detail work with ease, and they had shown wisdom in their assignment of work according to ability.

Another poor economy, which is too often seen, is poor stationery. A bank is often judged, by a stranger, by the character of its stationery, and the few dollars more expended for that which is first-class often makes such a good impression that it will be found a paying investment.

There are of course progressive and non-progressive banks, as there are people of these two classes. The first keeps up with the times, takes the best journals treating of the business, obtains the best new ideas and appliances to aid in transacting the business; in fact, is wide awake. The public appreciate this and show it by their preference.

Progressive banks never stand still but are ever seeking to increase their business by all legitimate methods. They do everything to encourage thrift among their customers, for success of the business of the public means success to the bank.

A banker is of necessity in a measure a public man, and he should be broad-minded and public-spirited, but I would not advise him to be a politician. The bank deals with people of all political parties, and while the banker has a right to his political ideas, still it is seldom wise for him to enter the field as a politician.

Growth of the Co-Operative Spirit.

The spirit of co-operation is growing among banks as elsewhere. The old spirit of exclusiveness is fast passing away, although some of it still exists, and there is yet room for improvement. Much has been done to open the gates by the various State associations of

bankers and the American Bankers' Association. By attending these meetings and coming in contact with each other, the rough corners are rubbed off, new thoughts and ideas are exchanged, and the former weary banker returns to his labors refreshed in mind as well as body. Bankers get into ruts as well as other people, and the meetings of these associations are one of the best means to help one out of the rut. It would be a wise move if there was a bankers' association in every State, and if every bank in the State was represented at its meetings. And every State should be well represented at the conventions of the American Bankers' Association.

Fundamental Principles of Banking.

There are certain fundamental principles that it is well to keep in view, and no one has stated them better than the Hon. Hugh McCulloch, the first Comptroller of the Currency and twice Secretary of the Treasury. They are as follows:

"The capital of banks should be real not fictitious.

The managers should not be the chief borrowers, nor should loans be made to stockholders merely because they are stockholders.

A certain amount of the annual profits should be carried to the surplus; the larger the surplus the better, not only for the safety of the stockholders, liable as they are, under the bank act, but for the protection of depositors.

Banks should be kept strong in their cash reserves, as times frequently occur when the strongest stand in need of them. Nothing in the long run pays better than a goodly amount of idle money, especially when specie is the only legal money.

As banks are commercial institutions, created for commercial purposes, preference in discounts should always be given to paper based upon actual commercial transactions. Banks are not loan offices. It is no part of their business to furnish their customers with capital, nor should loans be made under any circumstances for speculative operations in stocks.

Renewals should only be permitted to secure doubtful debts, or in cases in which more time is required than was anticipated when the loans were made, to complete the transaction upon which they were based.

Such salaries should be paid to officers and clerks as will relieve them from the temptation to dishonest practices; and the services of those whose expenditures exceed their salaries should be promptly dispensed with.

Let no loans be made that are not secured beyond a reasonable doubt. Give facilities only to legitimate and prudent transactions. Make your discounts on as short time as the business of your customers will permit. Never renew a note or bill merely because you may not know where to place the money with equal advantage if the paper is paid. In no other way can you properly control your discount line, or make it at all times reliable.

Distribute your loans rather than concentrate them in a few hands. Large borrowers are apt to control the bank, and when this is the relation between a bank and its customers it is not difficult to decide which in the end will suffer.

Treat your customers liberally, bearing in mind the fact that a bank prospers as its customers prosper, but never permit them to dictate your policy.

If you doubt the propriety of discounting an offering, give the bank the benefit of the doubt and decline it. If you have reason to distrust the integrity of a customer, close his account. Never deal with a rascal under the impression that you can prevent him from cheating you. The risk in such cases is greater than the profits.

In business know no man's politics. Manage your bank as a business institution, and let no political partiality or prejudice influence your judgment or action in the conduct of its affairs.

Bank managers should bear in mind that they are not only trustees of the stockholders, but that they owe something to the public—that their whole duty is not performed when good profits are made and when solvency is secured, but that they should do all in their power to encourage morality in business and to elevate credit, especially commercial credit, to the highest standard."

APPENDIX.

*ORGANIZATION OF NATIONAL BANKS.

Increase of Capital Stock.

A National banking association may, with the consent of the Comptroller of the Currency, and by a vote of shareholders owning two-thirds of the shares, increase its capital stock to any sum approved by him. No increase is valid until the whole amount is paid in cash and the Comptroller's certificate of approval is issued, prior to which additional bonds must, if necessary, be deposited as security for circulation. (Section 5142; also act of Congress approved May 1, 1886.)

A portion of a proposed increase will not be approved by the Comptroller. The whole amount, as stated in the resolution adopted by the vote of the shareholders, must be paid in and the payment certified to the Comptroller. The increase becomes operative upon the issuance of the Comptroller's certificate of approval.

An association that contemplates increasing its capital stock should advise the Comptroller thereof before formally submitting the matter to the shareholders, and, if the proposition is approved, he will furnish necessary blanks and instructions for procedure. (See notice for shareholders' meeting.)

In increasing the capital stock of a bank no moneys in the surplus fund or to the credit of undivided profit account can be used except by the declaration of a dividend by the board of directors in the regular course, whereupon the shareholders, if they so desire, may use the proceeds thereof in payment of their subscription to the additional stock. Such portion only of the surplus fund as exceeds the amount required by law may be capitalized in the manner indicated.

Resolution to Increase Capital Stock.

No. ——.

The —— National —— Bank of ——,

(Date) —— ——.

At a meeting of the shareholders of The —— National —— Bank of —— held on —— thirty days' notice of the proposed business having been given, at which —— shareholders were present in person and by proxy, representing —— shares of the stock of this association, it was

Resolved, That, under the provisions of the act of May 1, 1886, the capital stock of this association be increased in the sum of $——, making the total capital $——.

The above resolution was adopted by the following vote, representing more than two-thirds of the capital stock of the association:

*The other requirements to be observed in organizing a National bank are fully set forth in Chapter I.

Name of shareholder.	*Residence.*	*Name of proxy.*	*No. of shares.*
Total number of shares voted in favor of the resolution			
Total number of shares voted against the resolution			
Total number of shares represented at the meeting			

I hereby certify that the above is a true and correct report of the vote and of the resolution adopted at a meeting of the shareholders of this bank held on ———.

[Seal of bank.] ——— ———, *President or Cashier.*

Subscribed and sworn to before me this ——— day of ———, A. D. ——.

[Seal of notary.] ——— ———, *Notary Public.*

CERTIFICATE OF INCREASE OF CAPITAL STOCK.

No. ———.

——— NATIONAL ——— BANK OF ———,

——— ———.

To the Comptroller of the Currency, Washington, D. C.:

It is hereby certified that the capital stock of "The ——— National ——— Bank of ———" has been increased, pursuant to the provisions of the act of Congress approved May 1, 1886, in the sum of ——— dollars, all of which has been paid in, and that the paid-up capital stock of said bank now amounts to ——— dollars.

[Seal of bank.] ——— ———, *Cashier.*

I hereby certify that the foregoing certificate, by me subscribed, is true.

——— ———, *Cashier.*

STATE of ———, County of ———, ss:

Subscribed and sworn to before me this —— day of ———, A. D. ——.

[Seal of notary.] ——— ———, *Notary Public.*

REDUCTION OF CAPITAL STOCK.

A National banking association may, with the consent of the Comptroller of the Currency and by a vote of shareholders owning two-thirds of the shares, reduce its capital stock to any sum not below the minimum amount required by the National Bank Act. The reduction becomes operative upon the issuance of the Comptroller's certificate of approval, prior to which the circulation of the bank must be reduced to the amount of the capital after reduction by a deposit of lawful money with the Treasurer of the United States.

An association that contemplates reducing its capital stock should advise the Comptroller thereof before formally submitting the matter to the shareholders, and, if the proposition is approved, he will furnish necessary blanks and instructions for procedure. (See notice for shareholders' meeting.)

RESOLUTION TO REDUCE CAPITAL STOCK.

No. ———.

THE ——— NATIONAL ——— BANK OF ———,

(Date) ——— ———.

At a meeting of the shareholders of The ——— National ——— Bank of ———, held on ———, thirty days' notice of the proposed business having been given, at which ———

shareholders were present in person and by proxy, representing ——— shares of stock of this association, it was

Resolved, That, under the provisions of section 5143, United States Revised Statutes, and of the law amendatory thereof, the capital stock of this association be reduced in the sum of $———, leaving the total capital after said reduction $———.

The above resolution was adopted by the following vote, representing more than two-thirds of the capital stock of the association:

Name of shareholder.	*Residence.*	*Name of proxy.*	*No. of shares.*
Total number of shares voted in favor of the resolution			
Total number of shares voted against the resolution			
Total number of shares represented at the meeting			

I hereby certify that the above is a true and correct report of the vote and of the resolution adopted at a meeting of the shareholders of this bank held on ———.

[Seal of bank.] ——— ———, *President or Cashier.*

Subscribed and sworn to me this —— day of ———, A. D. ——.

[Seal of notary.] ——— ———, *Notary Public.*

CERTIFICATE OF REDUCTION OF CAPITAL.

The ——— ———,
——— ———.

To the Comptroller of the Currency, Washington, D. C.:

It is hereby certified that the capital stock of "The ——— National Bank of ———" has been reduced by a vote of the shareholders owning two-thirds of the stock of the association, in accordance with the provisions of section 5143 of the Revised Statutes of the United States, in the sum of ——— dollars, and that the paid-up capital stock of said bank since said reduction is ——— dollars. ——— ———, *Cashier.*

[Seal of bank.]

STATE OF ———, County of ———, ss:

I, ——— ———, Cashier of "The ——— National Bank of ———" in the State of ———, do solemnly swear that the foregoing certificate, by me subscribed, is true.

——— ———, *Cashier.*

Subscribed and sworn to before me this —— day of ———.

[Seal of notary.] ——— ———, *Notary Public.*

NOTE.—A record of the vote of stockholders should be kept and forwarded with this notice.

No part of the reduction can be carried to surplus or to undivided profits without the unanimous consent of the shareholders. When the reduction is made the shareholders should return their old certificates. New certificates for the capital as reduced should then be issued. It is competent to issue certificates for fractional shares.

CONVERSION OF STATE BANKS.

Section 5154 provides for the conversion of banks existing under State laws into National banking associations, and reads as follows:

Any bank incorporated by special law, or any banking institution organized under a general law of any State, may become a National association under this title by the name prescribed in its organization certificate; and in such case the articles of association and the organization certificate may be executed by a majority of the directors of the bank or banking institution; and the certificate shall declare that the owners of two-thirds of the capital stock have authorized the directors to make such certificate, and to change and convert the bank or banking institution into a National association. A majority of the directors, after executing the articles of association and organization certificate, shall have power to execute all other papers, and to do whatever may be required to make its organization perfect and complete as a National association.

If preferred, the State bank may be placed in voluntary liquidation in the regular course and those interested therein organize a National bank, which will be at liberty to buy the properly purchasable assets of the former, and there need be no interruption in business. In case of conversion, however, the shareholders should execute a form similar to the following:

AUTHORITY OF SHAREHOLDERS TO DIRECTORS FOR THE CONVERSION OF A STATE BANK INTO A NATIONAL BANK.

We, the undersigned, stockholders of the ———, located in the ———, county of ———, State of ———, having a paid-up capital of ——— dollars, do hereby authorize and empower the directors thereof to change and convert said bank into a National banking association under the sections of the Revised Statutes which authorize the conversion of State banks into National associations, approved June 22, 1874, "and of subsequent acts in addition to or amendatory thereof;" and we do also authorize the said directors, or a majority thereof, to make and execute the articles of association and organization certificate required to be made or contemplated by said statutes, and also to make and execute all other papers and certificates, and to do all acts necessary to be done to convert said ——— into a National banking association, and to do and perform all such acts as may be necessary to transfer the assets of every description and character of said ——— to the National banking association into which it is to be converted, so that the said conversion may be absolute and complete; and we do hereby assume, and authorize the said directors to assume, as the name of the National banking association into which the said ——— is to be converted, "The ———;" and we do hereby appoint ———, ———, ———, ———, who are now the directors of the said bank, to be the directors of the said National bank, to hold their offices as such directors until the regular annual election of directors is held, pursuant to the provisions of said Revised Statutes, and until their successors are chosen and qualified; and we do hereby authorize the said directors of the said National bank to continue in office the officers of the said State bank, or to appoint or elect others, as to them may seem best.

In witness whereof, we have hereunto set our hands and written against our names the number of shares owned by us, respectively, this —— day of ———, A. D. 19—.

Signatures of stockholders.	*Number of shares owned by each.*

NOTE.—The signatures of the owners of at least two-thirds of the stock

This authority for the action of the directors in converting the State bank into a National bank should be carefully preserved, and a copy thereof entered upon the minute book of the National banking association. The original, or a certified copy thereof under seal of the bank, should accompany the conversion papers sent to the Comptroller of the Currency.

The directors, having been authorized by the shareholders to change the bank into a National association, should execute articles of association, organization certificate, and other papers.

The following are submitted as general forms:

ARTICLES OF ASSOCIATION.

We, the undersigned, directors of the ——— ———, having been authorized by the owners of two-thirds of the capital stock of said bank to change and convert the said bank into a National banking association, under section 5154 of the Revised Statutes of the United States, and of subsequent acts in addition to or amendatory thereof, and to execute articles of association, do hereby, in our own behalf, and in behalf of the stockholders whom we represent, make and execute the following articles of association:

First. The name and title of the association into which the said ——— ——— is to be changed and converted shall be "The ——— ———." *

Second. The place where its banking house or office shall be located and its operations of discount and deposit carried on and its general business conducted shall be the ———, county of ———, State of ———.

Third. The board of directors shall consist of ——— ——— shareholders.

Fourth. The regular annual meetings of the shareholders for the election of directors shall be held at the banking house of this association on the second Tuesday of January of each year; but if no election shall be held on that day it may be held on any other day, according to the provisions of section 5149 of the Revised Statutes of the United States, and all elections shall be held according to such regulations as may be prescribed by the board of directors, not inconsistent with the provisions of the National Banking Law and these articles.

Fifth. The capital stock of this association shall be ——— thousand dollars, to be divided into shares of $100 each; but the capital may, with the approval of the Comptroller of the Currency, be increased at any time by shareholders owning two-thirds of the stock, according to the provisions of an act of Congress approved May 1, 1886; and in case of the increase of the capital of the association, each shareholder shall have the privilege of subscribing for such number of shares of the proposed increase of the capital stock as he may be entitled to according to the number of shares owned by him before the stock is increased.

Sixth. The board of directors, a majority of whom shall be a quorum to do business, shall elect one of its members President of this association, who shall hold his office (unless he shall be disqualified, or be sooner removed by a two-thirds vote of all the members of the board) for the term for which he was elected a director. The directors shall have power to elect a Vice-President, who shall also be a member of the board of directors, and who shall be authorized, in the absence or inability of the President from any cause, to perform all acts and duties pertaining to the office of President, except such as the President only is authorized by law to perform, and to elect or appoint a Cashier, and such other officers and clerks as may be required to transact the business of the association; to fix the salaries to be paid to them, and continue them in office, or to dismiss them, as in the opinion of a majority of the board the interests of the association may demand.

The directors shall have power to define the duties of the officers and clerks of the association; to require bonds from them and to fix the penalty thereof; to regulate the manner in which elections of directors shall be held, and to appoint judges of the elections; to make all by-laws that it may be proper for them to make not inconsistent with law for the general regulation of the business of the association and the management of its affairs, and generally to do and perform all acts that it may be legal for a board of directors to do and perform under the Revised Statutes aforesaid.

* Care should be taken to state the title correctly.

Seventh. This association shall continue for the period of twenty years from the date of the execution of its organization certificate, unless sooner placed in voluntary liquidation by the act of its shareholders owning at least two-thirds of its stock, or otherwise dissolved by authority of law.

Eighth. These articles of association may be changed or amended at any time by shareholders owning a majority of the stock of the association, in any manner not inconsistent with law; and the board of directors, or any three shareholders, may call a meeting of the shareholders for this or any other purpose, not inconsistent with law, by publishing notice thereof for thirty days in a newspaper published in the town, city, or county where the bank is located, or by mailing to each shareholder notice in writing thirty days before the time fixed for the meeting.

In witness whereof we have hereunto set our hands this —— day of ——, nineteen hundred ——.

1. —— ——.
2. —— ——.
3. —— ——.
4. —— ——.
5. —— ——.

I certify that the articles of association of The —— —— are executed in duplicate; that one of the instruments so executed is the foregoing, and that the other, in all respects like the foregoing, is on file with said bank.

—— ——, *Cashier or President.*

(Date) —— ——

ORGANIZATION CERTIFICATE.

We, the undersigned, directors of the —— ——, having been duly authorized by the owners of two-thirds of the capital stock of said bank to change said bank into an association, and to make the necessary organization certificate, under the sections of the Revised Statutes which authorize the conversion of State banks into National associations, approved June 22, 1874, and of subsequent acts in addition to or amendatory thereof, do sign and execute the following organization certificate, which we hereby declare we are authorized to make by the owners of two-thirds of the capital stock of said —— ——.

First. The name and title of this association shall be "The —— ——."

Second. The said association shall be located and continued in the —— of ——, county of ——, and State of ——, where its operations of discount and deposit are to be carried on.

Third. The capital stock of this association shall be —— dollars ($——), and the same shall be divided into —— shares of —— dollars each, as it is now divided in the said —— ——.

Fourth. The name and residence of each of the stockholders of the said —— —— which is to become a National bank under the provisions of the Revised Statutes aforesaid, and the number of shares of —— dollars each, held by each stockholder, are as follows:

Name.	*Residence.*	*Number of shares.*

Fifth. The certificate is made in order that the said —— and the stockholders thereof may avail themselves of the advantages of the aforesaid Revised Statutes, and that the said —— may be changed and converted into a National banking association, under the name and title of "The —— ——."

In witness whereof we have hereunto set our hands this —— day of ——, nineteen hundred ——.

—— ——.
—— ——.
—— ——.
—— ——.
—— ——.

The signatures of the directors on this page.

STATE OF ——, County of ——, ss:

On this the —— day of ——, A. D. ——, personally came before me, a —— of said county, —— ——, —— ——, directors of the ——, to me well known, who severally acknowledged that they executed the foregoing certificate for the purposes therein mentioned.

Witness my hand and seal of office the day and year aforesaid.

[Seal of notary.] —— ——, *Notary Public.*

All other papers and proceedings will be similar to those required of new associations organized under the National banking laws.

EXTENSION OF CORPORATE EXISTENCE.

The act of Congress approved July 12, 1882, provides for the extension of the corporate existence of National banking associations whose periods of succession are about to expire. Section 5136 provides that all associations organized under it shall have succession for twenty years from the date of the execution of their organization certificates. The officers of a National bank can, therefore, ascertain the date of the expiration of the corporate existence of the association from the date of the last acknowledgment in the organization certificate. If the paper has been lost or the date is uncertain, information can be obtained upon application to the Comptroller. Under the act of July 12, 1882, and the regulations of the Comptroller's office, banks are permitted to file their application for extension at any time within two years prior to the expiration, and the necessary blanks and instructions will be sent a sufficient time in advance to enable them to do so.

APPLICATION OF PRESIDENT OR CASHIER.

[Section 2, act July 12, 1882.]

—— NATIONAL BANK ——,
(Date) —— ——.

To the Comptroller of the Currency, Washington, D. C.

SIR: I hereby request the Comptroller of the Currency to approve the inclosed amendment of the articles of association of this bank, extending its corporate existence for twenty years, pursuant to the provisions of the act of Congress entitled "An act to enable National banking associations to extend their corporate existence, and for other purposes," approved July 12, 1882.

The amendment is accompanied by the certificate required by law.

Respectfully,

—— ——, *President or Cashier.*

AMENDMENT TO ARTICLES OF ASSOCIATION.

—— NATIONAL —— BANK ——.

In accordance with and in pursuance of the provisions of "An act to enable National banking associations to extend their corporate existence, and for other purposes," approved July 12, 1882, we, the undersigned, shareholders of "The —— ——," located at —— in the county of —— and State of ——, owning the shares of the capital stock of said association set opposite our respective names, aggregating not less than two-thirds of the stock

of said association, the total number of shares representing the capital stock of said National banking association being ——— shares, do hereby consent and agree that the ——— article of the articles of association of said National banking association be, and is hereby, amended to read as follows:

"This association shall continue until ———, ———, unless sooner placed in voluntary liquidation by the act of its shareholders owning at least two-thirds of its stock, or otherwise dissolved by authority of law."

In witness whereof, we, the undersigned, have hereto set our hands.

Date of signing.	*Name.*	*Address.*	*No. of shares.*

——— NATIONAL ——— BANK ———,

——— ———.

To the Comptroller of the Currency, Washington, D. C.

SIR: I do hereby certify, in pursuance of the provisions of "An act to enable National banking associations to extend their corporate existence, and for other purposes," approved July 12, 1882, that the amendment of the articles of association to which this certificate is attached of "The ——— ———," and the consent to the same in writing, was executed in duplicate by shareholders owning not less than two-thirds of the stock of said bank; and I do further certify that the signatures of the shareholders to said consent and said amendment of the articles of association are the true and correct signatures of said shareholders or of their lawfully appointed attorneys, and that one of the instruments so executed is the foregoing, and that the other, in all respects like the foregoing, is on file in said bank.

[Seal of bank.] ——— ———, *President or Cashier.*

(Date) ——— ———.

I certify that the said amendment to the articles of association of "The ——— ———" was duly recorded upon the minute book of said association on the —— day of ———, 190—, and that the above certificate was certified under the seal of the association in accordance with a resolution of its board of directors, duly adopted at a meeting of said directors on the —— day of ———, ——.

[Seal of bank.] ——— ———, *Cashier.*

The law does not require that a meeting of the shareholders shall be held; it is sufficient to secure the consent of those representing two-thirds of the stock. In case of the absence of a shareholder, power of attorney in the following form may be used:

Know all men by these presents, that I, ——— ———, of ———, hereby constitute and appoint irrevocably ——— my true and lawful attorney, for me and in my name and stead to sign all necessary papers in connection with the extension of the corporate existence of "The ——— ———," ——— under the act of Congress approved July 12, 1882, and I hereby consent that the ——— article of the articles of association of "The ——— ———," ——— be so amended as to read as follows:

This association shall continue until close of business on ——— unless sooner placed in voluntary liquidation by the act of its shareholders owning at least two-thirds of its stock, or otherwise dissolved by authority of law.

Hereby granting unto said attorney full power and authority to act in and concerning the premises as fully and effectually as I might do if personally present.

In witness whereof, I have hereunto set my hand and seal, this —— day of ——— in the year nineteen hundred ——

——— ———.

Signed and sealed in presence of—

——— ———.

——— ———.

These powers of attorney, signed by the shareholders, should be sent to the Comptroller, with the amendment to the article of association, on which their names, signed by their authorized attorney, appear.

If preferred, a shareholders' meeting may be called in order to vote for the extension and to sign the necessary papers.

Proper notice of the meeting should be given to the shareholders. (See notice for stockholders' meeting.) At this meeting the shareholders may appear in person or by attorney, the proxy given to the latter being similar to the foregoing form. In executing and forwarding the papers the following instructions should be strictly observed:

The certificate of the President or Cashier, certifying that shareholders owning at least two-thirds of the stock have consented, in writing, to the amendment, should be executed in duplicate and one copy transmitted to this office, together with the letter applying for approval of the Comptroller, at least two months prior to the expiration of the corporate existence of the bank, in order that the Comptroller may have sufficient time to cause the special examination to be made, as required by section 3 of said act.

If any shares of the bank stand in the name of administrators, executors, trustees, or guardians, and it becomes necessary to have the votes of these shares to make up the majority required to authorize the amendment, duly certified copies of the legal appointment of such administrators, executors, trustees, or guardians should be sent to the Comptroller. In the case of stock held by a corporation, a certified copy of a resolution of the board of directors, authorizing the President or other officer to consent to the amendment, is required.

When stock voting for an amendment stands in the name of an assignee, there must be evidence showing that the shares of stock have been regularly transferred to him as such assignee, on the books of the bank. When the amendment is signed by an attorney acting for shareholders, properly executed powers of attorney must be furnished.

Upon the receipt of the papers in due form, the Comptroller will order the special examination required by section 3, which must be paid for by the bank, and if the report of the examiner is favorable, the Comptroller will, at the date of expiration of charter, issue his certificate of extension.

The law requires that circulating notes issued to the bank after the date at which the period of succession begins shall be of different devices from those issued before. This necessitates the procuring of new plates, which are prepared at the expense of the bank.

A blank to enable a bank to order the engraving of plates and the printing of new circulation will be furnished. The order should be transmitted with the application for extension. (For cost of plates see page 20.)

No transfer of bonds is necessary, as the extended association is, in all respects, identically the same as before extension. The new circulating notes will be issued as the old issues are received for redemption, until the end of three years from the date of extension, when the law requires the bank to deposit lawful money for the redemption of such portion of the old circulation as may then remain outstanding.

Officers' Bonds.

When the corporate existence of a National bank is extended, the renewal of bonds of officers and employees should have attention.

Shareholders not Desiring to Extend the Corporate Existence of the Association.

Some shareholders may not assent to the extension, and may wish to withdraw from the association. Section 5 of the act of July 12, 1882, provides what may be done in such cases, as follows:

That when any National banking association has amended its articles of association as provided in this act, and the Comptroller has granted his certificate of approval, any shareholder not assenting to such amendment may give notice in writing to the directors, within thirty days from the date of the certificate of approval, of his desire to withdraw from said association, in which case he shall be entitled to receive from said banking association the value of the shares so held by him, to be ascertained by an appraisal made by a committee of three persons, one to be selected by such shareholder, one by the directors, and the third by the first two; and in case the value so fixed shall not be satisfactory to any such shareholder, he may appeal to the Comptroller of the Currency, who shall cause a reappraisal to be made, which shall be final and binding; and if said reappraisal shall exceed the value fixed by said committee, the bank shall pay the expenses of said reappraisal, and otherwise the appellant shall pay said expenses; and the value so ascertained and determined shall be deemed to be a debt due, and be forthwith paid, to said shareholder, from said bank; and the shares so surrendered and appraised shall, after due notice, be sold at public sale, within thirty days after the final appraisal provided in this section.

Notice for Shareholders' Meeting.

No notice is required for an annual meeting when the time and place are provided for in the articles of association (unless the by-laws make a notice necessary) if at said meeting business of the ordinary character only is to be transacted.

For an annual meeting, at which business of an unusual or extraordinary character, such as the amendment of articles of association, is to be considered, and for all special meetings of shareholders, notice should be given as required by the by-laws and articles of association of the bank. If no provision is made therein, thirty days' notice is required. The notice, a copy of which must accompany the papers transmitted to the Comptroller, showing date of issue, should state clearly (1) the place for holding the meeting, (2) the time, specifying the hour, and (3) the business proposed to be transacted.

Change of Name or of Location.

A National banking association may, with the consent of the Comptroller of the Currency and by the vote of the shareholders owning at least two-thirds of the stock of the association, change its name or may change the place where its operations are carried on to any other place in the same State not more than thirty miles distant.

When an association desires to make such change, it is necessary to correspond with the Comptroller of the Currency, submitting the proposed change, and when approved call a meeting of shareholders that the required vote may be obtained.

Due notice of the meeting must be given and a copy thereof, together with a certified copy, under seal of the bank, of the resolutions, showing in detail the vote by which adopted, sent to the Comptroller of the Currency, accompanied by a copy of the resolution of the board of directors authorizing the Treasurer of the United States to assign to the bank under its new title the bonds held by him as security for circulation.

No change of name or location is valid until the Comptroller's certificate of approval is issued. (See act of Congress approved May 1, 1886, to be found in the National Bank Act.)

LIQUIDATION.

A National banking association may, under section 5220 U. S. Rev. Stat., go into voluntary liquidation by a vote of the owners of two-thirds of the stock. Before calling a meeting of shareholders, however, for the purpose of voting upon the proposition, application should be made to the Comptroller for his approval and the necessary blanks.

When a meeting has been held and a resolution adopted by the required vote, it is the duty of the board of directors to cause notice of the fact to be certified, under seal of the association, to the Comptroller of the Currency by the President or Cashier, and publication thereof to be made for a period of two months in a newspaper published in the city of New York and also in the place in which the association is located; or, if no newspaper is published in such place, then in the newspaper published nearest thereto, that the association is closing up its affairs and notifying the holders of its notes and other creditors to present the notes and other claims against the association for payment. (See section 5221 U. S. Rev. Stat.)

When an association, with the approval of the Comptroller, goes into liquidation, its affairs pass into the hands of its shareholders for such legal disposition as may be deemed proper.

Notice as herein elsewhere provided should be given to the shareholders of the meeting at which it is proposed to take the vote above required. (See notice for shareholders' meeting.)

RESOLUTION FOR VOLUNTARY LIQUIDATION.

No. ——.

The ——— National ——— Bank of ———.

(Date) ——— ———.

At a meeting of the shareholders of The ——— National ——— Bank of ——— held on ——— thirty days' notice of the proposed business having been given, at which ——— shareholders were present in person and by proxy, representing ——— shares of the stock of this association, it was

Resolved, That "The ——— National ——— Bank ———" be placed in voluntary liquidation, under the provisions of sections 5220 and 5221, United States Revised Statutes, to take effect ———.

The above resolution was adopted by the following vote, representing two-thirds of the capital stock of the association.

Name of shareholder.	*Residence.*	*Name of proxy.*	*No. of shares.*

I hereby certify that the above is a true and correct report of the vote and of the resolution adopted at a meeting of the shareholders of this bank held on ———.

[Seal of bank.] ——— ——— *President or Cashier.*

Subscribed and sworn to before me this —— day of ———, A. D. ——.

[Seal of notary.] ——— ———, *Notary Public.*

CERTIFICATE OF VOLUNTARY LIQUIDATION.

No.——.

——— National ——— Bank ———,

——— ———.

To the Comptroller of the Currency, Washington, D. C.:

SIR: It is hereby certified, in pursuance of sections 5220 and 5221, of the Revised Statutes of the United States, that at a meeting of the stockholders of the ———, located at ———, in the State of ———, duly notified and held pursuant to law and the articles of association of said bank at the office of said association at ———, aforesaid, on the —— day of ———, it was voted by the stockholders of said association owning two-thirds of its stock that said association go into liquidation and be closed.

In testimony whereof I have, by instruction of the board of directors of said association, hereto subscribed my name and affixed the seal of said association at ———, aforesaid, the day and year above written.

[Seal of the bank.] ——— ———, *President or Cashier.*

NOTICE.

The ——— National ——— Bank ———, located at ———, in the State of ———, is closing up its affairs. All noteholders and others, creditors of said association, are therefore hereby notified to present the notes and other claims against the association for payment.

——— ———, *President or Cashier.*

Dated ———.

NOTE.—The above notice to be published for a period of two months in a newspaper in the city of New York, and also in a newspaper published in the place in which the bank is located. See section 5221, Revised Statutes. A certificate of the publisher that the required publication has been made, together with a slip containing notice from one issue of each paper, should be sent to the office of the Comptroller of the Currency.

GRACE AND STATUTES OF LIMITATIONS.

States and Territories.	*Notes, bills.*	*Sight drafts.*	*Open accounts.*	*Notes and contracts.*	*Judgments.*
			Years.	Years.	Years.
Alabama	Grace	Grace	3	6	20
Arizona	No Grace	No Grace	3	5	5
Arkansas	Grace	Grace	3	3–5	10
California	No Grace	No Grace	2	2–4	5
Colorado	No Grace	No Grace	6	6	6
Connecticut	No Grace	No Grace	6	6	20
Delaware	No Grace	No Grace	3	6	20
District of Columbia	No Grace	No Grace	3	3	12
Florida	No Grace	No Grace	2	5	20
Georgia	Grace	No Grace	4	6–20	7
Idaho	No Grace	No Grace	4	5	6
Illinois	No Grace	No Grace	5	10	20
Indian Territory	Grace	Grace	3	5	10
Indiana	Grace	Grace	6	10	20
Iowa	Grace	Grace	5	10	20
Kansas	Grace	No Grace	3	5	5
Kentucky	Grace	Grace	2–5	15	15
Lousiana	Grace	No Grace	3	5	10
Maine	No Grace	No Grace	6	6–20	20
Maryland	No Grace	No Grace	3	3–12	12
Massachusetts	No Grace	Grace	6	6	20
Michigan	Grace	Grace	6	6	6–10
Minnesota	Grace	Grace	6	6	10
Mississippi	Grace	Grace	3	6	7
Missouri	Grace	No Grace	5	10	10
Montana	No Grace	No Grace	3	8	10
Nebraska	Grace	Grace	4	5	5
Nevada	Grace	No Grace	4	6	6
New Hampshire	No Grace	Grace	6	6	20
New Jersey	No Grace	No Grace	6	6	20
New Mexico	Grace	Grace	4	6	7
New York	No Grace	No Grace	6	6	20
North Carolina	Grace	Grace	3	3	10
North Dakota	No Grace	No Grace	6	6	10
Ohio	No Grace	No Grace	6	15	5–26
Oklahoma	Grace	Grace	3	5	1–5
Oregon	No Grace	No Grace	6	6	10
Pennsylvania	No Grace	No Grace	6	6	20
Rhode Island	No Grace	Grace	6	6	20
South Carolina	Grace	Grace	6	6	20
South Dakota	Grace	Grace	6	6	20
Tennessee	No Grace	No Grace	6	6	10
Texas	Grace	Grace	2	4	10
Utah	No Grace	No Grace	4	6	8
Vermont	No Grace	No Grace	6	6	8
Virginia	No Grace	No Grace	2–3	5–10	10–20
Washington	No Grace	No Grace	3	6	6
West Virginia	No Grace	No Grace	5	10	10
Wisconsin	No Grace	No Grace	6	6	20
Wyoming	Grace	Grace	8	5	5

INTEREST LAWS.

States and Territories.	*Legal rate of interest.*	*Rate by contract.*	*Penalty for usury.*
	Per cent.	Per cent.	
Alabama	8	8	All interest forfeited.
Arizona	7	Any rate.	None.
Arkansas	6	10	Principal and interest forfeited.
California	7	Any rate.	None.
Colorado	8	Any rate.	No forfeit except with pawnbrokers.
Connecticut	6	6	None.
Delaware	6	6	Forfeiture of double amount of loan.
District of Columbia	6	10	Forfeiture of interest.
Florida	8	10	All interest forfeited.
Georgia	7	8	Excess of lawful rate forfeited.
Idaho	7	12	Creditor may recover but 10 per cent. of debt.
Illinois	5	7	Entire interest forfeited.
Indian Territory	6	10	Principal and interest forfeited.
Indiana	6	8	Excess of interest forfeited.
Iowa	6	8	Forfeiture of interest and costs with 10 per cent. per year to school fund.
Kansas	6	10	Excess of interest forfeited.
Kentucky	6	6	
Louisiana	5	8	Interest forfeited.
Maine	6	Any rate.	None.
Maryland	6	6	Excess of interest forfeited.
Massachusetts	6	Any rate.	None.
Michigan	5	7	Interest forfeited.
Minnesota	6	10	Principal and interest forfeited.
Mississippi	6	10	Interest forfeited.
Missouri	6	8	Interest forfeited.
Montana	10	Any rate.	None.
Nebraska	7	10	Interest and cost forfeited.
Nevada	7	Any rate.	None.
New Hampshire	6	6	Three times excess of interest forfeited.
New Jersey	6	6	Entire interest and costs forfeited.
New Mexico	6	12	$100 fine and forfeiture of twice the amount.
New York *	6	6	Principal and interest forfeited. Contract void.
North Carolina	6	6	Twice amount paid forfeited.
North Dakota	7	12	Entire interest forfeited.
Ohio	6	8	Excess forfeited.
Oklahoma	7	12	Interest forfeited.
Oregon	6	10	Principal and interest forfeited.
Pennsylvania	6	6	Excess of interest forfeited.
Rhode Island	6	Any rate.	None.
South Carolina	7	8	Double the excess forfeited.
South Dakota	7	12	All interest forfeited.
Tennessee	6	6	Excess of interest forfeited.
Texas	6	10	Entire interest forfeited.
Utah	8	Any rate.	None.
Vermont	6	6	Forfeiture of usury.
Virginia	6	6	Interest forfeited.
Washington	6	12	Excess of interest forfeited.
West Virginia	6	6	Excess of interest forfeited.
Wisconsin	6	10	Entire interest forfeited and treble excess paid recoverable.
Wyoming	8	12	Forfeiture of interest and costs.
Hawaii	6	Any rate.	None.

* On demand loans for $5,000 and over with collateral, any rate may be charged.

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